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ABSTRACT

This is a report sponsored by UNICEF on the effects of economic and political transition in Europe, particularly Eastern Europe, on young children and adolescents. The economic theories and changes in labor and markets which have characterized European transitions in the past few years have paid little attention to issues of poverty and child welfare. This economic transition has placed increased responsibility on families who find themselves undergoing economic hardship. The projected European economic growth has instead become a recession. Some countries have seen institutional weakening, predatory privatization, and monopolistic markets. Such conditions have drastic social costs, including increased poverty, mortality, and stress. Of all age groups, children have been the most negatively affected. These negative effects include: increased incidences of morbidity and low birthweight, increases in juvenile crime rates, and increases in the number of teen pregnancies. (Contains 32 re[illegible]rences.) (JW)

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INTERNATIONAL CHILD DEVELOPMENT CENTRE

UGLY FACTS AND FANCY THEORIES: CHILDREN AND YOUTH DURING THE TRANSITION

Giovanni Andrea Cornia*

EPS 47

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This paper forms part of the background documentation resulting from the ongoing research project "Public Policies and Social Conditions: Monitoring the Transition to the Market Economy in Central and Eastern Europe" (MONEE), coordinated by Giovanni Andrea Cornia.
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EXECUTIVE SUMMARY

After two decades of stagnant economic performance, falling standards of living and growing disillusionment with the socialist model, the market reforms initiated in late 1989 throughout Eastern Europe were universally hailed as the harbingers of greater freedom, fast economic growth and rapid improvements in standards of living. In East and West, most analysts expected a rapid transformation of these nations into quickly growing market economies, thanks to the high level of education and skills and the low wages of the labour force, a relatively well developed transport infrastructure, the vicinity to large export markets and—not least—common cultural roots with Western Europe.

For these reasons and because of the fear of a possible resurgence of the Communist forces, the dominant transition paradigm theorized a rapid, "front-loaded" approach to market reforms characterized by instantaneous price, trade and labour market liberalization, privatization and industrial restructuring. Concerns about the speed at which new market institutions would develop and about the way in which economic "agents", workers and households would adjust to the new, radically different conditions were dismissed as largely irrelevant, as market forces and Western assistance would automatically solve most of these problems.

Considerable changes were also planned for the labour market, and more moderate ones in health care, education and child and family policies. Despite this, at the beginning of the transition, relatively little attention was paid to the issues of poverty and child welfare. The "frictional and temporary dislocations" expected from the market reforms were, in any case, to be taken care of by the projected rapid growth of the economy, the development of private and public social assistance and the greater role which was to be played by the family, whose function had been considerably undermined by the "statist regimes" which had ruled the region.

These "fancy theories" have been proven colossally and tragically wrong by the events of the last five and a half years. In a sense, the transition represents one of the most pronounced cases of collective mis-theorizing and mis-forecasting in recent history. While, undoubtedly, the political and economic liberalization was desirable and unavoidable and while progress has obviously been recorded in some areas and countries (particularly in Central Europe), the expected rapid growth of the economy has turned into a generalized recession of phenomenal proportions.

Furthermore, in several countries the transition has been accompanied by institutional weakening, predatory privatization, the dangerous demise of the state and the emergence of "protomarkets" characterized by rent-seeking and monopolistic behavior, that is, conditions fundamentally at variance with those of an efficient market with clear "rules of the game", widespread ownership and the protection of consumer rights.

Particularly in the former Soviet Union, the social cost associated with the transition has reached unprecedented—and politically threatening—proportions. But poverty has risen sharply and stabilized at a high level even in those countries which have experienced a timid recovery over the last two years. The most shocking outcomes are evident, however, in mortality. Of the 18 countries discussed in this paper, 16 have experienced large increases in mortality (affecting males in the 20-59 age group most severely) unparalleled in the modern peacetime history of industrialized countries. Interestingly, these "ugly facts" have been the result not so much, or not always, of the expected and theorized upturn in income inequality, but rather of a massive fall in output and growing psycho-social stress.

Except in the area of mortality, there is clear evidence that children have been affected the most by the unexpected, and "untheorized", changes in welfare of the last five years. Negative trends in child welfare are particularly apparent in preschool and secondary education, morbidity and low birthweight, juvenile crime rates and teenage pregnancy. On the other hand, the trends in child abandonment and institutionalization remain unclear.

I. INTRODUCTION

Since the early 1970s, the socialist countries of Central and Eastern Europe have increasingly suffered the effects of an economic, social and political crisis. Improvements in living conditions generally slowed and in some countries came to a halt or even reversed. The stagnation or rise in the infant mortality rate in the Soviet Union, Yugoslavia and Romania between 1970 and 1989 points glaringly to the extent of the welfare crisis. Similarly, falling life expectancy in most countries of the region speaks loudly of deteriorating standards of living. Economic performance, which had already begun a downward slide in the mid-1970s, suffered further during 1982-8 and became negative in 1989. By that time, it had become all too clear that profound systemic changes were necessary.

Not surprisingly, therefore, beginning in late 1989, all the centrally planned countries of Central and Eastern Europe embarked on processes of radical political and economic transformation toward pluralistic, market-based democracies.

Yet, in spite of widespread expectations of smooth transition to the market economy and rapid improvements in standards of living, five and one-half years after the launch of market reforms, it is now evident that the Eastern European transition has met with large, unexpected and, at times, untreatable obstacles. The transition has also triggered a steady political disintegration, starting (June 1991) with that of the Council for Mutual Economic Assistance (CMEA) and then that of the Soviet Union, the Yugoslav Federation (1991) and the Czechoslovak Federal Republic (on 1 January 1993) and, more recently, that of the Russian Federation and of some of its components.

Clearly, not all, not even the major part, of the recent developments are negative. Many positive changes have been and are being instituted, especially in the countries of Central Europe. There has been a significant development of democratic institutions, the introduction of greater personal freedoms, improvement of supply conditions in many markets, development of market skills and new structures, and the formulation of a more self-reliant, humane and sustainable social policy. However, initial hopes for rapid improvements in social well-being have been quickly dampened by steep falls in production, employment and incomes, together with a deterioration in some social indicators already evident under socialism and the appearance of new welfare problems. While this has been negatively affecting the region as a whole, the countries of Southeastern and Eastern Europe have suffered the most severely. Only the Czech Republic, Slovakia and Poland (since 1993) have recorded no major deteriorations in welfare indicators during the transition years.

In addition, child welfare will be affected by the further economic restructuring expected. Indeed, the process of transformation is far from being accomplished, and several more years (or decades) will be necessary before reasonable market structures have been developed. Price and trade liberalization is generally complete. But industrial restructuring, asset privatization and the development of the financial sector and of a much-needed "institutional framework" (encompassing legislation on bankruptcy, antitrust, social assistance, tax reform, banking and so on) are still expected to last several years (Boeri 1994). Considerable institutional instability is therefore likely to characterize the years to come.

II. CONDITIONS PRIOR TO THE TRANSITION

The Gradual Economic Decline of the 1980s

From around the mid-1970s the Eastern European countries were affected by a gradual but steady deterioration in economic performance. This creeping crisis gradually intensified over time and reached unmanageable proportions toward the end of the 1980s (Table 1). By 1989 the growth of output had turned negative in all countries of the region with the exception of the former USSR and Czechoslovakia.

Table 1: GDP Growth Rates in Selected Eastern European Countries
(In Percentages, 1950-95)

	1950-73	73-82	82-8	1989	1990	1991	1992	1993	1994	1995*
Soviet Union	5.0	2.1	1.9	2.5	-4.0	-	-	-	-	--
Russia	--	--	--	1.6	-2.0	-12.9	-18.5	-12.0	-15.0	-9.0
Ukraine	--	--	--	5.0	-3.6	-11.6	-13.7	-14.2	-19.0	--
Bulgaria	6.1	2.4	1.4	-0.3	-9.1	-11.7	-5.7	-1.5	-0.2	2.0
CSFR	3.8	1.8	1.8	1.0	-1.3	-	-	-	-	--
Czech Rep.	--	--	--	2.4	-1.2	-14.2	-6.4	-0.9	2.6	3.7
Slovakia	--	--	--	1.1	-2.5	-11.2	-7.0	-3.2	4.8	5.0
Hungary	4.0	1.9	1.4	0.4	-3.3	-11.9	-4.3	-2.3	2.0	--
Poland	4.8	0.5	4.2	-1.6	-11.6	-7.0	2.6	3.8	5.0	5.0
Romania	5.9	3.7	2.9	-5.8	-8.2	-12.9	-8.2	1.3	3.5	4.2

Sources: For 1950-88: Maddison (1989); for 1989-91: UNICEF (1994); UNECE (1994), (forthcoming).
* Forecast.

In the relatively simple economies of the 1950s and 60s, the centralized command structure had been able to achieve significant "extensive growth" and, in some cases, important improvements in living standards and social conditions. Performance started to deteriorate gradually, however, when the extensive supply of labour (from rural areas, from the incorporation of women in the labour force and from population growth) began to dwindle and when an increase in the rate of innovation, technological progress and microeconomic efficiency became necessary to sustain output growth. While a growth slowdown was expected and while exogenous factors (such as the oil shocks of 1973 and 1979 and poor weather conditions in the 1970s) affected economic performance, the main cause of the poor results recorded in the Central and Eastern European countries is to be found in the rapidly increasing technological, information and incentive difficulties faced by central planning when the scale and sophistication of the economy grows. As complexity grew, microeconomic efficiency declined and overall growth slowed.

The poor performance of the Eastern European countries was due also to a series of structural biases which typically affected the economies that followed the "Soviet" (as opposed to the "Chinese") road to socialism. With the exception of Hungary and Poland, the ownership of the means of production remained fully and firmly vested in the state; "inefficient over-industrialization" was rampant (particularly in the metallurgical, heavy machinery and defence sectors), and the prices of goods and production factors were strongly misaligned in relation to world prices, as in the case of the goods traded within the CMEA.

Although many of these difficulties were known, policies contributed little to ease these problems. Except in Hungary, which adopted some timid reforms in the late 1960s, in the 70s and 80s no major policy changes were introduced to ease the growing inefficiencies and tensions which were starting to emerge. Indeed, in some of these countries (as in Czechoslovakia in 1968) even modest reform attempts were brutally repressed. By the late 1980s, a radical reform of the economic system had therefore become unavoidable.

Social Policy Achievement and Crisis

Strong contrasts characterized the social situation in Eastern European countries in the years prior to the transition. To start with, these countries boasted very low income inequality and poverty rates. This observation holds true even if account is taken of the slight worsening recorded in this area (in Poland, Hungary and the USSR) in the middle to late 1980s, of the

privileges of the nomenklatura and of the differential access by various social groups to the "official", "preferential" and "parallel" markets and of the opportunity cost of queuing.

The Gini coefficient of income distribution oscillated between .20 and .29, that is, values substantially lower than those (.40-.54) which prevailed in the middle-income and developed economies. At 7 percent, poverty rates were particularly low in Czechoslovakia (where severe destitution had been completely eradicated) and remained at relatively low levels in Hungary (14 percent) and in Poland and Russia (15-20 percent), as opposed to values about 10 points higher for the average middle-income country.

Similarly, the priority accorded to social expenditure (except in the fields of social assistance and health services) enabled the provision of universal benefits and social services which, despite frequent problems of efficiency, poor quality and differential access, were widely available. The social expenditure-GDP ratio was commensurate with that of Western countries (which had much higher GDP per capita) and considerably higher than that of other countries in the same $2,000-$5,000 GDP per capita range. In addition, the population benefited from large consumer subsidies for food, housing and other essential goods that, while distorting the price structure and draining precious budgetary resources, provided an important contribution to household welfare.

Educational services, including a preschool education system with almost universal coverage, and child and family policies were particularly well developed. The generosity and comprehensiveness of child benefits were particularly relevant for families which had more than two children or which faced multiple risks (single parenthood, disabilities and so on). For such families, child benefits accounted for between one-third and one-half of their total income and thus effectively protected them from severe deprivation.

With few exceptions (the USSR, for instance), child and family policy was particularly comprehensive in terms of the range and generosity of the benefits provided. The basic scheme generally included maternity leave and benefits, a childbirth grant, childcare leave, child-nursing benefits and a generous universal child allowance. The child allowance was particularly important and absorbed a share of national income higher than the corresponding share in most countries of the Organization for Economic Cooperation and Development (OECD) (Table 2). Because of this, Hungary and Czechoslovakia were singled out—together with Sweden, Norway and France—as the countries with "an explicit and comprehensive family policy" (Gordon 1988, page 22).

Table 2: EXPENDITURES ON CHILD/FAMILY BENEFITS
(Shares Of NMP Or GDP)

	1980	around 1985	1989
		A. *Shares of NMP*	
Bulgaria	3.3	3.3	3.6
Czechoslovakia	3.8	3.9	3.6
Hungary	3.2	3.2	4.7
Poland	1.1	2.1	2.3
Soviet Union	0.6	--	0.9
		B. *Shares of GDP*	
United States	1.0	0.8	--
Germany	1.9	1.3	--
Sweden	3.1	2.2	--
France	4.5	4.8	--
Greece	0.6	0.6	--
OECD average	2.6	2.4	--

Source: Cornia and Sipos (1991).

Childcare services were particularly developed. Enrolment in crèches and, in particular, in kindergartens was higher than in most OECD and developing countries. At the end of the 1980s, for instance, enrolment in preschool education for 3-to-6-year-olds was 97 percent in Czechoslovakia and 87 percent in Hungary. While this was, in part, the outcome of the high rate of participation of women in the labour force, it certainly had a positive effect on children, whose proper development depended on continued interaction with other children and appropriate forms of stimulation.

These positive features of social policy were, however, characterized by a number of explicit and hidden problems. To start with, the poor performance of the economy since the early 1970s represented a major obstacle to the improvement of standards of living, to the extent of redistribution and to the enhancement of social policy and possibly constituted a further cause of an increasingly weaker political consensus.

In addition, quite independently of economic factors, social policy suffered from a number of systemic biases and specific deficiencies—typical of the socialist countries—which reduced its overall effectiveness, the quality and relevance of public services and the ability of public administration to respond to the real needs of the population. In general, social service delivery suffered from poor management, excessive centralization and lack of incentives.

Furthermore, the centralization, paternalism and lack of popular participation typical of socialist social policies engendered a strong sense of passivity, cynicism and dependence among the population and contributed to the weakening of the family's role in the socialization, upbringing and education of children. Indeed, the need to rely on two full-time salaries to assure adequate living conditions, the erosion of the traditional family and the strong role advocated by the state in child socialization all played a part in the rapid rise of poverty. The paternalism also reduced the self-reliance and sense of responsibility and initiative of most of the population.

Such biases were the result of ideological factors, lack of incentives, poor management, excessive centralization. Among the first, the alleged primacy of "productive" over "nonproductive" activities deprived public services of adequate human and financial resources. Second, inadequate incentives, poor management and excessive centralization led to inefficiency, wastefulness and diversion of funds. Third, in spite of the proclaimed universal free access to public services, substantial differences existed, for example, in access to health care, education, housing or recreation. The bulk of the population had to bear substantial hidden charges in the form of gratitude money for services they were in principle entitled to free of charge (Csaszi 1990).

III. MAIN POLICY CHANGES DURING THE TRANSITION

With the exception of Hungary, "systemic reforms" were first introduced in Eastern Europe in the second part of 1989, that is, when Poland adopted a few initial measures which eventually led to the introduction in January 1990 of the first comprehensive "big bang" reform programme (the "Balczerowicz Plan", named after the then minister of finance). Bulgaria and Romania also introduced some initial measures in 1990, though reforms increased in intensity and scope in February 1991 in Bulgaria and in May of 1992 and of 1993

in Romania. So did Czechoslovakia (which split into its two former constituents in January 1993). Only Hungary emphasized the institutional aspects of the transition and followed a more gradual approach to price liberalization. In Albania, Ukraine and Russia, the reforms did not start until 1992, have been narrower in scope and have met with considerable difficulties. In many of the other former republics which had been part of the former Soviet Union, the reform process started shortly after the declaration of independence (generally in the second half of 1992), though the situation has varied substantially from country to country. In the Baltic Republics, radical changes were introduced immediately after the declaration of independence, while in the countries of the Caucasus and Tadjikistan the entire reform process has been slowed by severe ethnic strife and war.

The main features of the transition reforms are summarized hereafter. It is important to stress that, while the changes introduced in the field of social policy have obviously produced important effects on the welfare of the population, in most countries the main welfare deteriorations observed over the 1989-94 period are mainly to be attributed to the measures in the field of macroeconomic stabilization, taxation and privatization. These measures have had a large impact on the level of economic activity, inflation, asset and income distribution, the availability of key social services and—by implication—on the welfare of the population. As such, they are discussed hereafter in detail.

By and large, the following measures were introduced in all countries, though the sequence in which they were introduced and the sectoral emphasis varied considerably from country to country.

1. *Macroeconomic reforms* combined draconian fiscal and monetary measures with simultaneous price and trade liberalization and a sharp devaluation of the exchange rate. The last two measures were expected to generate a large but short-lived bout of "corrective inflation", which would have eliminated the monetary overhang and price distortions inherited from the socialist era. The subsequent rapid decline in inflation was to be achieved through the usual adoption of restrictive monetary and fiscal policies and through the stability of money wages and the exchange rate, the two "anchors" of macroeconomic stabilization.

During the initial phase of the transition, this approach has been broadly followed in practically all countries of the region, though in a few cases (most notably in Ukraine) the reform process has de facto yet to begin. It is important to note that the macroeconomic

conditions prevailing in a few of these countries at the onset of the market reforms made the recourse to stiff macroeconomic stabilization somehow unavoidable. In Poland, for instance, in 1989 inflation had reached 680 percent, the budget and current account deficits 7.4 and 2.6 percent of GDP, and the debt-GDP ratio 80 percent. Yet, the majority of the countries of the region did not experience in 1989 the massive imbalances which affected many developing countries during the debt and terms-of-trade crisis of the 1980s. Though Bulgaria was affected in the late 1980s by a considerable payments crisis and though Romania, the USSR and Bulgaria suffered from some degree of "repressed inflation" and monetary overhang, the initial macroeconomic conditions in these countries were either relatively favourable (as in Czechoslovakia and Romania) or not particularly adverse (as in Hungary). In some of these countries, therefore, the "shock-therapy" stabilization and price liberalization programmes introduced since 1990 (see below) have reflected more a preference for a given policy approach than an objective necessity.

2. *Foreign trade reform.* While, as noted, all countries devalued their exchange rates and abandoned whatever form of two-tier exchange rate systems they had, the extent of the devaluation and the exchange rate regime adopted since then (fixed exchange rate subject to realignment only after long periods, interbank floating rate, managed rate and so on) varied widely. In practically all these countries, quantitative restrictions on international trade were rapidly eliminated and low to moderate import tariffs were introduced, with the hope that import prices would de facto act as a lid on domestic prices.

The biggest and most damaging change in the foreign trade area was, however, the dismantling of the CMEA trade system that started in 1990 and became fully effective in early 1991 and the move to a convertible currency basis for the former inter-CMEA trade. In retrospect, it appears that this decision—and the large supply shocks and shortages it caused—was the one which had the single most destructive effect on economic activity and the welfare of the population of the former socialist countries.

3. *Building the market.* Privatization and liberalization moved in three complementary directions. First, "small privatization" (of service units, shops, restaurants, and so forth) advanced fairly rapidly in all countries, mostly through local auctions. In CSFR and Hungary, the divestiture of 100,000 small businesses and 10,000 shops and medium-sized services, respectively, was targeted and broadly achieved in the first reform year.

Second, "big privatization" of state-owned enterprises, land and other assets developed in very different ways. Public sales of state enterprises to foreign and domestic investors have

taken place in most countries. On the other hand, "reprivatization" has entailed the return of enterprises or land to their former owners, while "spontaneous privatization" (often at very convenient terms) by the management and the workers of enterprises has been allowed in several countries, including Poland and, most particularly, Russia. Finally, as in Czechoslovakia, "big privatization" has primarily relied on some form of shares distribution. Despite the priority it has received, "big privatization" has met with numerous legal, accounting and incentive problems and has failed to achieve the transfer of any sizeable amount of the land and capital stock to private or non-state owners. Nor has it been successful in liquidating loss-making SOEs.

Third, private-sector development was encouraged through the removal of barriers to entry and the encouragement of private investment, though comparatively little was done or achieved in this crucial field.

While the privatization of state assets is expected to last several years, it is increasingly evident that in several Eastern European countries (most prominently in Russia) the medium- and long-term impact on the distribution of income and assets and on microeconomic efficiency will be quite different from that originally anticipated. Indeed, the peculiar (often predatory) way in which privatization has been carried out so far in some countries of the region is the source of considerable social injustice, corruption, unnecessary social stratification and the establishment of uncompetitive markets dominated by monopolies and, in some cases, by organized crime.

Indeed, the "proto-capitalist model" emerging in several CIS countries shares more similarities with "dualistic", "soft-state" and semideveloped economies than it does with an efficient market economy with strong citizen rights and well-identified state roles. In these countries, the growth of the private sector has been accompanied by widespread disregard for the protection of labour and unionization and by mass unemployment. Entrepreneurship is confused with rent-seeking, and consumers are often at the mercy of monopolist producers and traders whose idea of a market is that of spot pricing in single, nonrecurring, predatory transactions in monopolistic conditions.

The aim of assigning a *greater role to "private (consumer) decisions" and to market prices* in the allocation of resources was pursued also through the simultaneous dismantling of price controls, an increase in tariffs and the elimination of most producer and practically all consumer subsidies. The only exceptions to this rule concerned subsidies on a few food products, basic drugs, housing, transport and energy and some agricultural inputs. Even

these remaining subsidies, however, were (or are expected shortly to be) eliminated, indicating the general preference for a "pure market solution". It is important to note that consumer subsidies directly targeted at children, such as those on clothing, footwear, furniture, books and toys, were also eliminated at the beginning of the reforms or shortly afterward. Moreover, since 1992-3 the value-added tax has been generally applied to food and goods consumed by children. Only some child-related housing investment bonuses have been maintained.

To avoid excessive wage and welfare losses, part of the savings on consumer subsidies was to be turned into theoretically equivalent income subsidies ("compensation for price increases"). Only in the case of the Czech and Slovak Federal Republics (CSFR) did these income subsidies prove, however, to be broadly adequate. In all the other countries, the elimination of consumer subsidies has instead caused a major loss of purchasing power, a loss that can not easily be compensated—as the dominant approach to the transition suggests—by targeted social assistance transfers. Symptomatic of this approach is the decision taken in late 1994 by the governments of Georgia and Armenia completely to eliminate bread subsidies in a context of widespread hardship and poverty (estimated to affect over 80 percent of the population). This subsidy allowed the purchase of about 40 kilogrammes of rationed bread per family/month with one average salary (of about $2) and did de facto represent the only "social safety net".

4. *Institutional reforms.* With hindsight, it appears that the success of the overall reform effort depends to a considerable extent on the creation of new "institutions" and on the preservation of that part of the existing "regulatory framework" dealing with law and order, public health, social protection and other key sectors of the public administration. However, while such ambitious objectives obviously require considerable time, effort and political consensus, actual progress in establishing new "rules of the game" for property rights, antitrust, foreign investment, taxation, banking, wage indexation, unemployment compensation and other safety nets, social assistance and protection, family policy and so on has been—with few exceptions in Central Europe—very limited and, in any case, slower than that required by the "shock-therapy"-type changes introduced in the field of price and trade liberalization and privatization.

In Russia and a few other countries, these "sequencing problems" have been compounded by a serious erosion of the administrative and legal system and by a considerable institutional vacuum. Besides causing considerable direct welfare losses (due,

for instance, to sharply rising violent deaths, food poisonings or accidents) these have led to the considerable weakening of the state during the transition.

5. *Labour market and social-sector reforms and the creation of "safety nets".* Policies on employment, wages and consumer subsidies have undergone radical changes. Artificial full employment and central determination of wages have been abandoned, and, with the exception of Russia and Ukraine, open unemployment has been allowed to increase sharply. Even in these two countries, however, the real rate of unemployment has reached and exceeded the 10 percent mark. All countries introduced some form of unemployment compensation, although eligibility criteria have become increasingly restrictive over time. Public expenditure on unemployment compensation (and social assistance) was therefore the most dynamic component of public social expenditures over the 1989-93 period, though starting from very low levels (Table 3). Because of their experimental status, the efficiency of these measures in reducing poverty is questionable. (For instance, these benefits are not necessarily more well targeted than are child and family allowances.) Early retirement and extended childcare leave for women have also been used to lighten the unemployment rolls. The scope of "active labour market" policies, in contrast, remained negligible.

Table 3: COVERAGE OF FAMILY ALLOWANCES DURING THE TRANSITION[a]
(In Percentages Of The 0-18 Population In January)

	1989	1990	1991	1992	1993	1994
Czech Republic	99.5	99.4	97.1	92.1	92.0[b,c]	--[b]
Hungary	84.3	91.1	93.1	93.7	93.1	--
Romania[c]	63.8	71.0	66.3	65.0	--	--
Russia	--	--	--	26.7[d]	23.8[d]	23.2[d]
Slovakia	92.4	92.0	89.5	93.8	91.3[d]	--
Ukraine	--	--	--	55.0[e]	--	68.0

Source: MONEE Database.
[a] Recipient children as a percentage of all 0-to-18-year-olds irrespective of the actual eligibility criteria existing in countries. [b] Since mid-1993 state compensation benefits (fixed-sum compensation replacing certain price subsidies) have been means-tested in the Czech Republic, where an estimated 20 percent of all dependent children are excluded. [c] Recipient children as a percentage of all 0-to-16-year-olds. [d] Includes 1½-to-6-year-olds benefiting from allowances and the children of single mothers. For 1992-3 the figures refer to the situation as of April. [e] Estimated. [f] Both the state compensation benefit and the allowance have been means-tested since 1993.

Faced with high inflation rates, all countries have introduced some kind of indexation of wages and benefits. However, with the exception of Poland and Bulgaria, indexation has been and generally remains partial, carried out ex post and on an ad hoc basis. Its frequency and extent, furthermore, have varied substantially over time, by sector and type of benefit. This approach has caused large losses of income and considerable problems of equity. Child allowances and minimum wages, for instance, were penalized more than were average wages and pensions in most countries (UNICEF 1994). In several countries, real wages (as those of civil servants in Russia and several other former Soviet republics) and family benefits have been left to fall below subsistence minimums and are now a main cause of the sharp rise in the number of working low-income people and their dependents.

Child and family benefits have been broadly maintained. Though several proposals have been made about targeting child allowances and other family allowances on low-income families, only a few countries (such as the Czech Republic and Slovakia) have taken a few limited steps in this direction, while in several cases (as in Hungary) such benefits have been extended to the children of the registered unemployed (Table 3). In addition, social assistance, practically nonexistent under Communist rule, has been introduced, though the scope and efficiency of these new antipoverty measures are likely to vary widely in many countries because of funding, institutional and informational problems.

Policies governing access to public services in the fields of health, education, childcare and other social amenities have undergone gradual but significant changes. Obstacles to private provision (particularly important in education) have been removed. Many services provided by the central government and state enterprises (in the field of childcare and kindergartens, recreation and vocational training) have been discontinued or decentralized to local authorities, though an equivalent decentralization of resources or tax-raising powers has not occurred. Substantial user fees have been instituted for kindergarten and school meals, schoolbooks, drugs and some health services. Yet, nowhere has the state challenged the principle (if not the practice) of free and compulsory primary and secondary education.

Because of the relatively modest "systemic changes" introduced in this area, one might be tempted to think that human welfare, and child welfare in particular, has been little affected by the changes induced by the transition. An analysis of the changes in the share of public expenditure in GDP of these various social programmes would seem to confirm this conclusion (Table 4). However, while the principle regulating the eligibility for these benefits and public services has been modified only moderately, *real* expenditures on cash transfers

and in-kind services, health care and education have generally fallen sharply because of the large contraction in GDP and tax revenue suffered by these countries over the 1989-93 period. The public provision of key basic services and the social safety nets have thus suffered a considerable de facto erosion, an erosion which tends obviously to be particularly acute for low-income families and children. In some cases, this "entitlement erosion" has reached unprecedented levels and left only a symbolic meaning to many income transfers. For instance, over the 1989-93 period, the real value of public expenditure on family benefits declined by as much as 56 and 73 percent in Bulgaria and Romania. Even in Hungary, where the ratio of family support expenditures to GDP increased by 0.7 points of GDP (from 4.0 to 4.7 percent), the real value of public expenditure on child-rearing and childcare support declined by 5 percent.

Table 4: CHANGES IN SELECTED PUBLIC SOCIAL EXPENDITURES[a]
(In Percentages Of GDP)

	Social Transfers[b]		Health Care		Education		Social Welfare	
	1989	1994	1989	1994	1989	1994	1989	1994
Czech Republic	13.21	17.25	4.82	8.35	4.25	4.17	0.51	0.52
Slovakia	16.68	*16.61*	5.12	4.24	5.51	4.06	0.32	1.62
Hungary	15.33	--	3.97	--	4.77	--	0.10	--
Poland	12.10	*14.54*	3.00	*4.67*	3.67	*4.68*	0.82	*2.28*
Slovenia	--	--	--	--	--	--	--	--
Albania	7.70	*14.13*	2.66	*3.60*	3.46	*3.98*	--	*1.23*
Bulgaria	11.60	11.52	3.30	3.59	4.60	4.26	0.12	1.20
Romania	8.47	--	2.47	*2.96*	2.23	*3.36*	--	--
Estonia	--	*23.70*	--	*5.40*	--	7.00	--	1.80
Latvia	12.40	18.50	2.60	4.70	4.70	7.40	--	0.60
Lithuania	9.93	12.42	2.79	3.90	5.18	5.80	0.03	1.20
Belarus	--	*11.10*	--	4.60	--	5.10	--	0.05
Moldova	--	--	--	--	--	--	--	--
Russia	--	*2.90*	2.60	*3.60*	4.70	--	--	*0.30*
Ukraine	6.33	27.10	2.37	5.00	3.77	5.70	--	--
Armenia	8.62	*13.24*	2.54	*3.63*	5.96	*4.91*	--	*2.15*
Azerbaijan	--	--	--	--	--	--	--	--
Georgia	--	--	2.90	*0.40*	6.20	*0.60*	0.50	*0.30*

Source: MONEE Database.
[a] Figures in italics refer to 1993. "--" = not available. [b] Includes all social security transfers, less pensions, plus health care and education expenditures.

Social policy during the transition seems to have suffered also from a marked generational bias, possibly the result of the greater political weight of the elderly. (In all these countries pensioners account for between 30 and 40 percent of the electorate.) For instance, expenditures on child and family allowances fell proportionately more than did those on pensions (Table 4). Similarly, the expenditures in education (which were obviously mainly directed at children and adolescents) fared much worse than did those in health care (which tend to benefit more than proportionately the elderly). A notable exception was Romania, where education expenditures were apparently exempt from cuts (Table 4).

IV. CHILD WELFARE CHANGES DURING THE TRANSITION

In spite of the great hopes placed on a rapid transition to political democracy and a market economy, four and one-half years after the launch of the Balczerowicz Plan, which symbolizes the beginning of the transition, it is now evident that the reforms have met with large, unexpected and, at times, untreatable obstacles. The reforms have also provoked a deterioration of unparalleled proportions in human welfare throughout most of the region and particularly in Albania, Bulgaria, Romania, Russia and Ukraine. Some Central European countries—such as the Czech Republic and, to a lesser degree, Slovakia and Poland—were less affected and were able to achieve important improvements in some areas (for instance, child mortality) even during this difficult period. In the majority of the countries, however, the transition has been accompanied by sharp rises in poverty rates, an unprecedented mortality crisis, worsening nutritional standards and a difficult "social adaptation crisis". While children and adolescents were affected only marginally by the mortality crisis of 1989-93, from almost any other perspective (poverty, education, childcare, social protection and so on) they appear to have suffered the most.

Measuring Welfare Changes in Transitional Economies

Traditionally, economists measure well-being (or welfare, used interchangeably herein) in two ways. The most common approach, following Sen (1985), which we shall call the *opulence approach*, equates well-being with income, wealth, consumption and so on. In this type of analysis, loss of welfare is normally associated with a decline in income or consumption per

capita, loss of assets and greater indebtedness. This approach has been gradually refined by relying on some transformations of the basic indicators and by comparing them with certain normative thresholds (the poverty line, the recommended daily intake of nutrients, the "normal" value of the food share, and so forth). In this case, loss of welfare would be signalled by an increase in the number of low-income people, a shift in the food share above the minimum threshold, the inability to pay utilities, and so on.

While useful and widely applied, this approach suffers from considerable theoretical and informational problems and can, particularly during periods of profound transformations, lead to partial or erroneous conclusions. First of all, while there is often a correlation between "opulence indicators" and many of the components of well-being (such as duration of life, good health, nutritional adequacy and literacy), it is simply not possible to account for individual differences in these components only through income or consumption indicators. Indeed, several other factors influence the well-being of individuals. These include the characteristics, human capital, health practices and time use of family members, as well as the size, structure and stability of the family itself. Other relevant factors measure the overall environmental conditions in terms of climate, vector contamination and availability of collective infrastructure, as well as access to "public goods" such as health, education and childcare. While changes in some of these variables are routinely monitored, modifications in many others are both difficult to define and costly to follow. Thus, even if this opulence approach were enlarged so as to incorporate the effects of these factors, concrete information on them would not be easily obtainable.

Second, a decline in income and other similar indicators normally triggers a series of household and collective responses (including the search for greater efficiency in expenditure, shifts in consumption structure, better targeting of public resources, rationing and migration). By increasing the conversion efficiency of each unit of income (Lipton 1995), these responses can cushion households to a considerable extent from the negative effects of income reductions. Indeed, it is not uncommon to observe improvements in welfare indicators concomitantly with declines in household incomes. Safilios-Rothschild (1980) and Cornia, Jolly and Stewart (1987) provide detailed discussions of these individual or collective responses. It is therefore quite possible that welfare could worsen (or improve) because of changes in these "nonobserved" variables, even if income or consumption does not show any variation or if the size of the observed deteriorations is nonlinearly correlated to the level of family resources.

Third, indicators of income, consumption, poverty and so on based on *household income or consumption* are generally not well-suited to an exploration of changes in *individual welfare*, as the intrahousehold allocation of income can seldom be observed. In contrast, the consequences of individual disadvantage (including gender bias) both within and outside the household are reflected in indicators measuring survival chances, school achievement and so on. Data on these aspects of well-being are collected at the individual level. There is thus a strong practical motivation for focusing strictly on individual features of welfare in examining deprivation and poverty (Anand 1994).

Fourth, the appropriateness of income and other "opulence indicators" changes considerably when moving from an economy affected by rationing, shortage-flation and queuing to one where market prices and consumer choice prevail. Generally speaking, the same real income offers greater consumer choice and, ceteris paribus, better utility and input to living standards under free-market conditions than it does in an economy affected by rationing.

Finally, contrary to an erroneous but common perception, income is not easily measurable, particularly during periods of hyperinflation, radical fluctuations in relative prices and rapid informalization of the economy, as is currently the case in the majority of Eastern European countries. Furthermore, the accuracy of collection mechanisms for income and consumption in these countries is subject to change biases (better sampling framework but growing underreporting of income and consumption).

Thus, reliance on income or consumption as an indicator of standards of living often fails—sometimes miserably—to capture even some very basic instrumental aspects of living standards. In England, for instance, the most rapid increases in life expectancy at birth were observed during World Wars I and II, periods when incomes declined sharply (Drèze and Sen 1989). Similarly, during the "lost decade" of the 1980s in Latin America, an increase in poverty and extreme poverty rates was accompanied by a steady decline in most mortality indicators (UNICEF 1994). Throughout Eastern Europe, mortality rose for several cohorts during the 1965-85 period, despite a general increase in incomes per capita (UNICEF 1994).

The second methodology followed by mainstream economists in the measurement of well-being, normally referred to as the *utility approach*, focuses on the concept of "utility", whether interpreted as desire fulfilment, happiness or simply choice. Given consumer preferences and technology, utility is a function of income. All else being equal, utility is

assumed to be positively related to income and consumption, though after a certain threshold it rises less than proportionately.

Practically speaking, all the objections raised above also apply to this approach. Even if we were able to observe the parameters of the function relating utility to income (see, for instance, Atkinson 1970), the criticisms outlined above on the use of income as a proxy for well-being would still apply. In addition, while "utility" might provide evidence of "perceived achievement", this cannot be equated with well-being. For instance, a severely deprived person who sees no way out of his or her adversities may, as a life strategy, become reconciled to his or her condition and take pleasure from small mercies in life.

A careful analysis of welfare changes during periods of radical transformations, as in the transition in Eastern Europe, therefore requires a broader and more complete approach to the measurement of well-being. It requires in particular that the conclusions reached on the basis of *income-based welfare criteria* be integrated with an analysis of changes in *capabilities-based welfare indicators*.

Unlike the other two approaches discussed above, the "capabilities approach" (Sen forthcoming) measures changes in welfare by determining variations in the capabilities of individuals to function, that is, their ability to have a long and healthy life and be well nourished, literate, safe and so on. This approach emphasizes not so much the "means" (such as income and wealth), but the "ends" (quality and quantity of life), the achievement of which depends not only on control over monetary resources, but on many other factors as well. In addition, as noted above, this approach collects information on individual, as opposed to household, deprivation and therefore avoids the difficult issue of the intrahousehold distribution of welfare. Finally, this approach relies on information deriving from a variety of demographic, health, education and other statistics. While these data are not always immune to problems either, their informational content is less subject to biases than are money-metric variables.

Both approaches—the "income-opulence approach" and the "capabilities approach"—are applied below. They tend to provide generally concordant indications on the relative extent and depth of the welfare changes observed over the last four years.

A Rapid Surge in Poverty

1. **A sharp rise in low income and poverty rates**. In spite of the limitations imposed by a partial data set, there is ample evidence that the incidence of low incomes and poverty increased significantly in the entire region over the 1989-94 period (Table 5).

Among the 11 countries for which acceptable estimates could be obtained from existing HBS data (Table 5), the steepest increases in poverty were recorded in Bulgaria, Romania, Moldova, Lithuania and presumably Azerbaijan. Latvia and Estonia appear to have suffered increases almost as large in the incidence of low income. In these countries, between 26 and 32 percent of the population could be considered in 1994 as *poor*, while an additional 25 to 35 percent were affected by less acute, but nonetheless debilitating, *low income*. Scattered evidence suggests that in the urban sector of Albania, Armenia and Georgia, as well as Russia, the Ukraine and other CIS countries affected by economic collapse and civil unrest, the spread of poverty has been as rapid or even more pronounced (Mroz and Popkin 1994, Gogodze and Gogighsvili 1995, Van Rijckeghem 1994).

In contrast, in the Czech Republic, Slovakia, Hungary and Slovenia, the phenomenon was more contained. In these countries, inflationary explosions were avoided; drops in real wages were more limited; the extensive safety nets created previously were broadly maintained, and changes in income inequality remained relatively contained.

2. **Additional signs of growing low incomes**. Evidence that the incidence of low income is increasing is also provided by changes in indicators of "income inadequacy" and "inability to pay". In most countries, high inflation wiped out the monetary savings of families, increased indebtedness among low-income households and caused a rise in the number of people taking consumer durables or jewellery to pawn shops. In Hungary, for instance, this number rose by one-third between 1990 and 1992 (UNICEF 1993).

Even more telling (and comprehensive) are the data on the number of people applying for social pensions, poor relief and ad hoc social assistance (for the purchase of schoolbooks, unexpected medical expences and so on). Between 1989 and 1992 the number of recipients of social assistance increased, often dramatically, and is still increasing in practically all countries of the region, with the exception of the Czech Republic and Slovakia (UNICEF 1993). In Bulgaria, the number of people regularly receiving aid from the government stagnated between 1989 and 1990 and then jumped thirtyfold between 1990 and 1992 in parallel with a 40 percent decline in household incomes. Similarly, the unprecedented

Table 5: POVERTY INCIDENCE BY COUNTRY, YEAR AND POPULATION GROUP**
(1989-94)

	Low Income***					Poverty				
	Households	Children	Adults	Elderly	Population	Households	Children	Adults	Elderly	Population
					Bulgaria					
1990	13.6	17.7	11.0	18.3	13.8	2.1	2.0	1.3	3.8	2.0
1991	49.0	61.7	49.2	50.0	52.1	11.3	16.8	12.0	10.6	12.7
1992	53.4	61.7	50.2	62.1	53.5	21.7	25.7	19.0	24.9	21.8
1993	57.5	67.0	55.3	62.3	59.4	22.8	32.6	24.8	21.5	25.3
1994	67.1	71.9	61.4	62.3	63.5	32.1	42.5	32.1	27.5	32.7
					Czech Republic					
1989	4.6	4.2	4.4	5.7	4.2	0.3	0.3	0.2	0.4	0.2
1990	7.6	12.5	7.6	3.2	8.6	0.3	0.3	0.1	0.1	0.2
1991	23.8	43.2	26.8	12.9	29.8	0.8	0.2	0.5	0.3	0.2
1992	18.2	38.3	22.6	9.6	25.3	1.6	1.1	1.8	0.4	1.3
					Hungary					
1989	11.8	20.9	9.6	13.6	13.7	1.2	2.6	1.0	1.7	1.5
1991	18.3	35.0	20.3	18.7	22.0	2.1	6.3	3.0	2.2	3.4
1993	22.4	43.2	27.7	13.9	28.0	3.1	9.4	5.1	1.0	5.1
					Poland					
1989	26.6	36.8	22.7	34.5	28.5	5.1	8.9	5.0	5.6	6.1
1990	39.9	61.0	39.4	40.8	45.5	6.4	16.8	8.0	4.0	9.7
1991	32.7	57.8	33.8	27.9	40.1	5.4	14.4	7.5	2.4	8.4
1992	35.5	61.6	40.5	29.0	43.8	7.2	19.9	9.2	3.4	10.9
					Romania					
1989	33.2	45.2	32.0	49.3	37.5	9.1	13.0	8.0	16.7	10.3
1990	17.7	28.8	17.6	25.6	21.6	2.8	4.3	2.7	6.3	3.5
1991	28.5	42.5	28.2	41.0	33.6	8.4	14.5	8.1	13.8	10.5
1992	47.8	66.0	50.1	54.1	55.0	17.3	29.3	18.2	21.6	21.7
1993	58.6	79.6	62.9	56.2	66.8	24.5	42.5	27.4	23.5	31.1
1994	66.9	85.5	71.0	65.4	74.3	31.7	50.1	34.4	32.1	38.3
					Slovakia					
1989	3.9	8.7	4.4	6.4	6.0	0.1	0.1	0.1	0.2	0.1
1990	6.6	10.5	4.9	7.1	6.8	0.2	0.3	0.1	0.2	0.2
1991	31.6	52.1	27.4	32.1	35.0	2.5	5.8	2.3	2.5	3.3
1992	30.5	51.5	27.4	29.5	34.4	2.7	7.3	2.7	2.2	3.8
1993	37.2	71.7	46.1	24.3	48.1	9.0	21.9	11.3	2.4	12.2
1994	37.0	54.9	47.1	27.6	45.7	7.0	17.4	9.2	1.6	10.2
					Estonia					
1992	40.0	52.1	37.3	67.7	43.8	18.8	26.6	16.4	47.5	21.4
1993	51.4	62.5	49.2	74.7	54.0	27.9	38.4	25.8	36.6	30.0
1994	52.9	61.1	47.8	84.3	52.5	26.3	34.2	23.0	57.9	27.0
					Lithuania					
1994	70.1	79.9	66.9	85.2	74.2	44.4	56.7	40.1	60.5	47.3
					Moldova					
1989	12.8	19.6	11.8	18.5	15.3	1.9	3.1	1.7	3.4	2.4
1991	12.3	17.6	11.2	16.3	13.9	1.9	2.3	1.8	2.9	2.1
1992	..	..	..	..	36.1(*)	..	..	..	..	25.3(*)
1993	..	..	..	..	70.2(*)	..	..	..	..	40.6(*)
					Latvia					
1994	54.9	74.4	59.1	33.3	63.0	27.1	50.7	31.4	14.9	35.5
					Azerbaijan					
1994	80.9	87.7	81.7	82.3	83.1	60.5	72.5	59.1	65.4	63.2

Source: UNICEF (1994), (forthcoming).
* Not adjusted according to demographic composition. ** The "low income" line per capita/month is equal to between 35 and 45 percent of the average salary in 1989 which is regularly updated by the CPI. The poverty line is equal to 60 percent of the low income line. *** Includes people in poverty.

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drop in incomes of January 1992 in Russia pushed the number of people receiving free or subsidized meals up to more than 10 million and of pensioners and families with children granted supplementary cash benefits to 10.2 and 2.5 million, respectively. While these benefits were useful in avoiding the most acute forms of deprivation, with few exceptions their value (which—in the case of regular poor support—ranged between 6 percent of the average wage in Bulgaria and 30 percent in Hungary) was unable by itself to lift the recipients out of the low income status.

Evidence of growing "inability to pay" can be deduced also from the increasing delays and accumulation of arrears in the payment of rent, electricity, gas and water charges. Unfortunately, this information is not always compiled. In Poland, for instance, it appears that at the end of 1992 rent was not being paid regularly for 43 percent of the housing units owned by cooperatives, municipalities and employers, and that payment delays were of three months or more in about 11 percent of the cases. In Hungary, too, there is evidence that the number of families in arrears with the payment of rent, water and heating bills was rising. Similarly, in Russia, 12.7 million people were exempted from the payment of public utility charges or received ad hoc subsidies for the purchase of medicines and fuel in the first four months of 1992.

3. **Socioeconomic groups most affected: children fare the worst**. The economic difficulties of the last five years have affected most severely the *old poor*, that is, people already living in poverty under the socialist regime (that is, members of large and single-parent families, people with severe disabilities, minority groups, marginalized people and the elderly subsisting exclusively on minimum pensions). The economic and social changes brought about by the transition have also caused a sharp increase in the number of the *new poor*, that is, youth in search of first employment, the uncompensated unemployed, retrenched low-skilled workers and their dependents, and a growing number of migrants or refugees.

Contrary to the widespread perception (which identifies the aged as the main victims of the transition), the data in Table 5 and the majority of the analyses reviewed unambiguously indicate that poverty has risen significantly more rapidly among children (despite the sharp contraction in the number of births observed over the last four years) and members of the working-age population, above all the unemployed and "working poor", than it has among pensioners. Three main factors are behind this somehow unexpected development.

- The surge in unemployment.
- The sharp increase in the number of people hired at very low wages or whose wages are paid only after long delays.
- The better indexation of pensions relative to wages, child allowances and unemployment benefits (Table 6).

Poland presents the most graphic illustration of this pattern. While unemployment reached 13.6 percent in 1992, and the proportion of those employed with low wages increased from 26 to 34 percent, the ratio of the average pension to the average wage rose from 0.45 in 1989 to 0.73 in 1992, and the child allowance grew from an extremely low 2.6 percent of the average wage to a still modest 6.8 percent over the same years. As a result, poverty rates doubled for children and adults, while remaining broadly constant for the elderly.

In Hungary, the proportion of poor children in relation to adults and the elderly was about 1.5 and 2.7 times higher, respectively, in 1992 (Table 7), mainly because of the large increase in unemployment among middle-aged adults.

In Russia, a joint World Bank-Goskomstat survey carried out in July-September 1992 shows that the incidence of poverty among children of less than 15 years of age stood at 46 percent, while that for adults in the 31-60 age bracket was 35 percent, and for male pensioners it was only 22 percent (Table 8). In addition, the incidence of poverty was found to reach a phenomenal 72 percent in families with three or more children. Large families suffering from additional risks (single parenthood, handicap, unemployment and so on) presented a particularly severe case (Mroz and Popkin 1994).

In several countries, for instance, Russia and Romania, rising child poverty is strongly related to the massive erosion of child allowances and other child-related income transfers in the post-transition years.

Even in the Czech Republic, where the spread of low-paying jobs and the growth in unemployment have been much less significant than elsewhere, an increase in the proportion of children in the bottom income decile may be observed for 1991.

With only few exceptions, pensions appear to have been more well protected from the rigours of inflation than were all other social transfers. In addition, so-called "working pensioners" could count on a double source of income, while (unlike the children or their parents) they had the time to tend a plot of land and benefit from crops they produced themselves. Pensioners are also often the recipients of intrafamily income transfers and can

Table 6: THE AVERAGE PENSION, THE CHILD ALLOWANCE AND THE AVERAGE WAGE
(In Percentages, 1980-94)

	1980	1985	1989	1990	1991	1992	1993	1994
	The Ratio of the Average Pension to the Average Wage							
Czech Republic	..	..	52.2	54.3	55.6	49.2	48.6	
Slovakia	..	..	49.2	51.0	53.6	49.1	48.1	41.8
Hungary	..	..	63.1	62.6	64.3	60.9	59.6	56.9
Poland	..	..	44.6	65.0	76.1	72.6	72.0	72.8
Slovenia			75.2	89.2	73.6	77.8	73.9	75.4
Albania	..	..	76.9	74.2	74.6	45.5	44.0	
Bulgaria	..	..	57.3	48.2	53.5	43.5	44.1	46.8
Romania	..	..	54.9	53.3	48.4	47.7	44.2	
Estonia		41.8	38.5	33.2	..	46.3	35.0	38.9
Latvia		45.4	37.6	29.8	26.0	34.6	30.7	33.5
Lithuania	30.0	37.5	40.7	43.9	44.3	52.5	49.4	45.9
Belarus				25.7	38.8	21.8	37.2	34.7
Moldova			41.5	43.5	35.9	63.6	64.1	53.5
Russia	..	..	35.5	33.7	33.8	25.8	33.6	35.0
Ukraine	..	..	..	31.6	23.2	19.5	39.1	
Armenia			43.2	47.1	49.2	..	80.2	
Azerbaijan			46.9	44.1	43.7	11.4	68.8	46.4
Georgia	44.3	44.1	43.5	48.1	60.2	75.6	110.9	
	The Ratio of the Child Allowance to the Average Wage							
Czech Republic	..	..	10.4	11.9	13.2	11.7	7.5	..
Slovakia	..	..	10.5	12.1	13.2	12.1	10.4	4.8-10.7
Hungary	..	..	20.5	21.8	19.9	18.1	17.0	14.1
Poland	..	..	2.6	5.8	6.5	6.8	5.2	4.9
Albania	..	..	..	..	..	..	6.5	
Bulgaria	..	..	12.8	9.8	13.8	10.7	9.0	6.5
Romania	..	..	9.8	8.9	6.6	5.3	4.7	
Estonia						10.0	8.3	7.0
Latvia			4.1	3.1	6.7	5.1	4.4	2.8
Moldova					11.5	7.2	6.6	7.4
Russia	..	..	..	..	..	5.0	2.4	4.1
Ukraine	..	..	7.4	14.0	21.3	..	..	
Armenia					18.4	15.5	11.2	
Azerbaijan			0.6	1.8	3.1	3.4	10.9	21.6

Source: MONEE Database.

Table 7: INCIDENCE OF POVERTY IN HUNGARY BY POVERTY LEVEL AND TYPE OF HOUSEHOLD (In Percentages, 1992)

	Living			Living					
	Below	Between		Together	Between		Over	Together	Altogether
	70%	70-80%	80-100%		100-110%	100-140%	140%		
	of the poverty line			of the poverty line					
In active household	3.5	2.8	10.1	16.4	7.1	24.2	52.0	83.4	100.0
In family									
No children	1.7	1.5	6.2	9.4	5.0	20.8	64.8	90.6	100.0
1 child	3.3	2.2	10.0	15.5	7.6	25.8	51.1	84.5	100.0
2 children	4.5	3.9	13.0	21.4	8.8	26.9	42.9	78.6	100.0
3 children	7.3	6.6	20.8	34.9	9.9	27.4	27.8	65.1	100.0
≥4 children	15.4	10.3	23.4	49.1	10.0	23.3	17.6	50.9	100.0
In family									
No unemployed	1.7	1.9	9.1	12.7	6.7	24.4	56.2	87.3	100.0
1 unemployed	10.1	6.2	14.7	31.0	8.7	24.4	35.9	69.0	100.0
≥2 unemployed	20.7	10.3	17.9	48.9	10.0	19.0	22.1	51.1	100.0
In active household	1.9	1.6	8.3	11.8	6.0	23.7	58.5	88.2	100.0
In urban area	2.8	2.6	9.6	15.0	7.1	23.3	54.6	85.0	100.0
In rural area	3.7	2.5	10.2	16.4	6.7	25.2	51.7	83.6	100.0
Altogether	3.2	2.6	9.8	15.6	6.9	24.1	53.4	84.4	100.0

Source: Computations of Judit Lakatos, Central Statistical Office of Hungary.

Table 8: HOUSEHOLD POVERTY BY TYPE OF HOUSEHOLD MEMBERS, RUSSIAN FEDERATION (1992)

	% of Sample	Income as a % of the Poverty Line				
		<50	51-100	101-150	151-200	>200
All households	100.0	9.8	18.6	22.2	17.7	31.7
Exactly one child	22.0	12.0	24.6	22.2	15.0	26.3
Exactly two children	17.4	16.2	31.3	23.9	11.1	17.6
Three or more children	4.5	29.9	31.0	22.6	9.6	6.9
Single parent & one child	3.5	13.7	25.5	19.1	15.7	26.0
Single parent & two children	1.6	23.7	34.4	23.7	7.5	10.8
Single parent & more children	0.3	55.6	16.7	22.2	5.6	--
At least one disabled person	4.7	12.8	24.9	26.7	17.9	17.6
At least one unemployed person	9.7	20.4	26.3	23.4	11.4	18.5
At least one retirement-aged person	44.4	4.1	13.1	23.0	22.4	37.4

Source: *Russian Longitudinal Monitoring Survey* (1993a), (1993b).
* Women 55+, men 60+.

enjoy the fruits of the real assets they have accumulated during their life cycle. Finally, pensioners generally have better access to cheap housing, assigned to them in earlier times, than do younger households. Russia and Ukraine are in part exceptions in this case, as elderly people depending on extremely low minimum pensions as their sole source of income fell into extreme poverty and are most likely facing severe deprivations. Even in these two countries, however, the proportion of such pensioners in the total is relatively modest.

4. **Main features of poverty in Eastern Europe**. Undoubtedly, the nature (and not only the extent) of poverty has changed dramatically over the last few years. The main changes can be summarized as follows.

- Increasingly and not too dissimilarly from what is observed in Western countries, poverty is affecting children, the unemployed and the working poor.

- In most Eastern European nations, poverty is "shallow", that is, the poverty gap is equal to only 20-5 percent of the poverty line, as opposed to the values of 35-40 percent most commonly found in middle-income developing countries (UNICEF forthcoming).

- Despite the sharp increase in poverty rates, as yet there are no indications that an "economic underclass" (characterized by multiple deprivations and affected by persistent, multifaceted deprivations and therefore representing a poverty which is difficult to eradicate) has emerged in the region. The 1992-4 Hungarian data about the "duration of poverty" (Andorka and Spéder 1994) point to fairly high "exit rates". More than one-half of the people who belonged to the bottom 20 percent of the population during 1992 were in the same situation in 1994. Moreover, while 23.4 percent of the population of the panel were part of the bottom two deciles for some time over 1992-4, only 6.3 percent of them remained in poverty throughout.

In Russia, there were significant movements of households between the very-poor, the poor and the non-poor over 1992-3. Fifty-five percent of those in poverty in 1992 had risen above poverty in 1993, and only about one-quarter of the very poor in 1992 remained in the same situation the following year (Table 9). While there is evidence of some persistence in poverty, these figures suggest that poverty has so far been a temporary phenomenon for the majority of households.

- "Income poverty" has not generally been accompanied by a parallel increase in "asset poverty" (which may have even declined because of the privatization at low or zero costs of the housing stock), or in "human-capital poverty" (because the high level of education existing before the transition has not been—and could not have been—eroded in this

relatively short period of time. Furthermore, unlike in most developing countries where poverty tends to be multifaceted, most of the people are, at least for the moment, income-poor but not necessarily asset-poor. (They often own the apartments in which they live.) Even fewer people are human-capital poor, and many retain access to subsidized social services.

Table 9: HOUSEHOLD TRANSITION IN AND OUT OF POVERTY IN RUSSIA*
(1992-3)

1992 Income as a % of the Poverty Line	1993 Income as a % of the Poverty Line			
	<50	51-100	>101	Total % in Income Category
<50	27.5 (96)	32.4 (113)	40.1 (140)	6.5 (349)
51-100	13.9 (159)	26.3 (302)	59.8 (687)	21.4 (1,148)
>101	6.4 (248)	14.8 (575)	78.8 (3,055)	72.1 (3,878)
Total % in income category	9.4 (5,039)	18.4 (990)	72.2 (3,882)	100.0 (5,375)

Source: Mroz and Popkin (1994).
* Percent of households in 1992 category moving to 1993 category. The numbers in parentheses are the counts of the number in each cell.

5. **Broad factors behind the surge in poverty**. Informational problems do not allow firm conclusions to be drawn about the factors responsible for the phenomenal rise in the incidence of low income and in poverty observed over the last four years. Yet, the available evidence suggests that the steepest increases in the number of those receiving low income and of the poor were mainly due to the recession induced by the macroeconomic, trade and other measures forming part of the overall transition package.

- The surge in poverty has resulted from the play of three factors, the relative importance of which seems to be changing over time. In most countries, the largest yearly increases in poverty rates occurred in the initial phase of the reforms, immediately after the launch of "big bang" price and trade liberalization, currency devaluation and budgetary cuts which triggered sharp recessions and large falls in average incomes per capita. (Though policymakers had hoped to contain the drop to about 10-15 percentage points, marked "price overshooting" caused falls in wages and benefits far greater than those expected.) During this initial phase, income inequality did not—and could not—increase too rapidly, contributing

in this way to the surge in poverty. Nor was there the immediate and anticipated rapid erosion of the welfare state inherited from the socialist era. Instead, this has often increased its relative share in total household incomes. During this period (1989-91/2) most of the increase in poverty was therefore explained by the fall in income per capita (Table 10).

Table 10: PERCENTAGE CONTRIBUTION TO INCREASES IN POVERTY*
(Net Of Demographic Influences, 1989-94)

	Period	Gini Change	Δ Pov. due to Δ GDP	Δ Pov. due to Δ Gini
Bulgaria	1989-94	0.07	0.59	0.41
Czech Republic	1989-92	0.02	0.73	0.27
Hungary	1989-93	0.01	0.88	0.12
Poland	1989-92	0.05	0.82	0.18
Romania	1989-94	0.06	0.64	0.36
Slovakia	1989-94	0.05	0.70	0.30

Source: MONEE Database.
* The Gini coefficient refers to the distribution of gross earnings except in the case of Slovakia, where it refers to the distribution of household incomes.

Earnings disparity appears to have begun to deteriorate more visibly in the second phase of the transition, particularly in Russia, Poland, Bulgaria, Lithuania and other members of the FSU. This is due also to a rapid erosion in social transfers and in child allowances in particular. In other countries, especially in Central Europe and Bulgaria, income disparity seems, however, to have been increasing only very slowly also during this second phase, while the "social transfer-GDP ratio" has either increased or remained constant at fairly high levels.

Impoverishment has not, as many anticipated at the beginning of the transition, been mainly due to adverse shifts in income distribution and the rapid erosion of the generous income transfers inherited from the socialist era. Income distribution appears to have begun to deteriorate significantly only recently and only in the easternmost part of the region (Cornia 1994). In other cases, the surge in poverty has coincided with the loss of control over monetary and fiscal policy, as took place in Ukraine and Russia in 1993 and in all other economies which have lost control over the reform process.

An Abrupt Rise in Death Rates Affects Children less than Proportionately

Between 1989 and 1993 the crude death rate soared unexpectedly in most countries of the region (Table 11). The largest percentage increases in the crude death rate were recorded in Russia (34.6 percent), Ukraine (22), Bulgaria (7.5) and Romania (15.8 until the first half of 1993). Smaller but still significant upswings were recorded in Hungary (5.1) and Poland (5.2 until 1991). In contrast, the rate did not change appreciably in Slovakia, and in the Czech Republic it actually declined by 6.5 percent. In Poland, the increase recorded between 1989 and 1991 was followed by a return to the 1989 level in 1993. Data for the first months of 1994 suggest that the crude death rate has continued its decline in Poland and has finally started to ease slowly downward in Hungary, but has remained stable in Bulgaria and, most alarmingly, has undergone a further large increase in Ukraine and an even greater rise in Russia.

The upward shifts in the crude death rate and the limited changes in population size mean that, for the nine countries analysed in greater detail in this paper, the total number of additional deaths over the 1990-3 period reached an appalling *1.4 million*, a figure which most blaringly signals the extent of the problems encountered by the Eastern European countries during the transition. The largest increases in the number of deaths during this four-year period occurred in Ukraine and Russia. In Russia alone, the 1993 increment over 1992 was greater than the total number of war losses borne by the US during World War II and higher than the number of deaths recorded throughout the entire Afghan war.

These large increases in mortality require, however, some important qualifications. First of all, the surge in deaths has been much more pronounced for men than it has for women. (Ukraine is the only exception to this rule.) This growing "mortality gap" has raised the number of incomplete families, increased widowhood, further exacerbated the imbalance in the gender ratio, reduced the nuptiality and reproductive potential of the population and further widened the life expectancy differential between sexes.

Second, contrary to most plausible expectations, the high "transition mortality" of the early 1990s has not hit most severely those groups which are generally considered especially vulnerable for biological or social reasons, namely, children, mothers and the elderly. Indeed, one of the most striking features of this recent health crisis is the substantial increase in death rates recorded for the working-age population.

Table 11: THE CRUDE DEATH RATE AND THE INFANT MORTALITY RATE (1980-94)

	1980	1985	1989	1990	1991	1992	1993	1994
				Crude Death Rate (per 1,000 population)				
Czech Republic	12.2	11.9	12.3	12.5	12.1	11.7	11.5	11.4
Slovakia	--	--	10.2	10.3	10.3	10.1	9.9	9.6
Hungary	13.6	14.0	13.7	14.1	14.0	14.4	14.6	14.4
Poland	9.8	10.3	10.0	10.2	10.6	10.2	10.2	10.0
Slovenia	*9.9*	*10.0*	*9.3*	*9.3*	*9.7*	*9.7*	*10.0*	9.7
Albania	6.4	5.8	5.7	5.5	5.4	--	--	--
Bulgaria	11.1	12.0	12.0	12.5	12.8	12.6	12.9	13.2
Romania	10.4	10.9	10.7	10.6	10.9	11.6	11.6	11.7
Estonia	12.3	*12.7*	11.8	12.4	12.6	13.0	14.0	14.8
Latvia	12.8	13.2	12.2	13.0	13.1	13.5	15.2	16.4
Lithuania	10.5	10.9	10.3	10.7	11.0	11.1	12.4	12.5
Belarus	*9.9*	*10.6*	10.1	10.7	11.2	11.3	12.4	12.6
Moldova	*10.1*	*10.9*	8.8	9.2	10.1	9.5	10.3	--
Russia	11.0	11.3	10.7	11.2	11.4	12.2	14.5	15.6
Ukraine	11.4	12.1	11.7	12.2	13.0	13.5	14.3	14.7
Armenia	*5.6*	*6.1*	5.5	5.5	5.8	6.2	6.6	--
Azerbaijan	*7.0*	*6.8*	5.8	5.4	5.6	6.1	6.3	--
Georgia	8.5	8.7	8.6	8.4	8.7	9.6	10.0	8.6
				Infant Mortality Rate (per 1,000 live births)				
Czech Republic	18.4	14.0	10.0	10.8	10.4	9.9	8.5	7.9
Slovakia	--	--	13.5	12.0	13.2	12.6	10.6	11.2
Hungary	23.2	20.4	15.7	14.8	15.6	14.1	*12.5*	*11.5*
Poland	21.3	18.5	15.9	15.9	15.0	14.3	16.1	15.1
Slovenia	15.3	13.0	8.1	8.4	8.2	8.9	6.8	6.5
Albania	50.3	30.1	30.8	28.3	32.9	30.9	33.2	--
Bulgaria	20.2	15.4	14.4	14.8	16.9	15.9	15.5	16.3
Romania	29.3	25.6	26.9	26.9	22.7	23.3	23.3	23.9
Estonia	17.1	14.0	14.8	12.4	13.4	15.8	15.8	14.5
Latvia	*15.4*	*13.0*	*11.1*	*13.7*	*15.6*	*17.4*	*15.9*	*15.5*
Lithuania	14.4	14.2	10.7	10.3	14.3	16.5	15.6	13.9
Belarus	*16.3*	*14.5*	11.8	11.9	12.1	12.3	12.5	13.2
Moldova	*35.0*	*30.9*	18.1	16.6	18.8	15.9	18.4	22.6
Russia	22.0	20.8	17.8	17.4	17.8	18.0	19.9	18.7
Ukraine	16.6	15.9	13.1	13.0	14.0	14.1	15.1	--
Armenia	*26.2*	*24.8*	17.5	16.1	17.0	16.5	16.6	--
Azerbaijan	*30.4*	*29.4*	24.1	20.6	22.7	24.0	26.0	--
Georgia	25.4	24.0	19.6	15.8	13.7	12.4	18.3	18.3

Source: MONEE Database.

In contrast, mortality rates for infants, children and adolescents do not show any general, lasting or pronounced tendency toward growth. IMR rises have been confined to a few countries in Southeastern and Eastern Europe (Russia, Ukraine, Bulgaria) and, according to some observers, Albania (Table 11). Data for 1993 or early 1994 indicate that this upward trend has been reversed in Bulgaria and has stabilized in Russia. In the other countries of the region, IMR has continued to improve, even very recently, as indicated by the data for Poland and Hungary for the first quarter of 1994 (UNICEF 1994). At the same time, death rates for children in the 1-4 age bracket have fallen steadily in all countries (with the exception of Bulgaria and Russia), while the death rate for the 15-19 age group shows an almost imperceptible, but nonetheless worrisome, increase (as in the case of Russia, Ukraine, Bulgaria, Czech Republic and Slovakia).

While the increases in IMR may be relatively modest and only temporary, they nevertheless give rise to serious concern when seen in relation to the startling decline in fertility recorded for the entire region. With few exceptions, infant and child mortality due to infectious, parasitic and respiratory diseases and to accidents and poisoning either fell (often by as much as 10-25 percent from the 1989 level), or stagnated at low levels (Table 12). Progress on this front was sustained by persistently high coverage of child immunization and other basic health services. It is interesting to note, however, that infant mortality due to congenital malformations and conditions originating in the perinatal period either stagnated, or even increased, albeit modestly. Only in Hungary did all causes of infant and child deaths show an unambiguous fall.

Those countries where the IMR has risen, that is, Russia, Bulgaria, Ukraine and possibly Albania, present a very different picture (Table 12). The modest increases in IMR signify the surfacing of new problems and the reinforcement of old ones. Indeed, congenital and perinatal factors, as well as "exogenous causes" (infectious, parasitic and digestive diseases and accidents), explain the increase. While congenital- and perinatal-related deaths rose almost imperceptibly for several years, the last four years have seen an abrupt acceleration. These unwelcome changes suggest the aggravation of an already unsatisfactory situation in perinatal care due largely to a shortage of equipment, specialized staff and adequate drug supplies. More particularly, they denote growing problems in pregnancy screening, the management of conditions requiring somewhat more sophisticated and expensive interventions (such as prematurity and congenital anomalies) and targeted health education campaigns.

Table 12: DISEASE-SPECIFIC INFANT MORTALITY RATES
(1989-93)

	1989	1990	1991	1992	1993	1993/89
A. Infectious, Parasitic and Respiratory Diseases						
Albania	17.73	13.69	15.44	17.40	..	98.1
Bulgaria	4.21	4.48	4.80	4.02	3.85	91.4
Czech Rep	0.42	0.91	0.53	..	..	126.2
Slovakia	1.54	1.53	1.84	1.73	..	112.3
Hungary	1.16	1.08	1.07	0.90	..	75.6
Poland	1.75	1.64	1.50	1.48	..	84.6
Romania	11.49	12.47	9.97	9.83	10.29	89.5
Russia	4.41	3.86	4.01	3.83	4.65	105.4
Ukraine	2.56	2.23	2.43	2.38	2.80	109.3
B. Congenital Malformations and Perinatal Problems						
Albania*	4.90	6.53	6.65	6.10	..	124.5
Bulgaria	7.92	7.95	9.27	8.94	9.57	120.8
Czech Rep	8.13	8.76	8.26	..	..	101.6
Slovakia	10.31	9.19	9.85	9.51	..	92.2
Hungary	13.19	12.08	13.03	11.87	..	90.0
Poland	12.35	12.41	11.75	11.23	..	90.9
Romania*	8.92	9.23	9.37	9.94	9.73	109.1
Russia	11.64	11.87	12.05	12.06	12.80	110.0
Ukraine	8.42	8.69	9.41	9.16	9.48	112.6
C. Accidents, Poisoning and Violence						
Albania	..	..	..	..	..	..
Bulgaria	0.58	0.67	1.02	0.73	0.65	112.6
Czech Rep	0.53	0.62	0.63	..	..	119.6
Slovakia	0.49	0.51	0.52	0.32	..	66.0
Hungary	0.39	0.46	0.31	0.32	..	82.3
Poland	0.43	0.46	0.43	0.45	..	104.1
Romania	1.58	1.27	0.97	1.11	1.04	66.4
Russia	0.74	0.72	0.79	0.85	0.98	132.4
Ukraine	0.69	0.64	0.78	0.74	0.78	113.0
D. Ill-Defined Causes and All Other Causes						
Albania	8.21	8.04	10.83	7.40	..	90.1
Bulgaria	1.66	1.67	1.84	2.24	1.45	87.3
Czech Rep	0.88	0.90	0.94	..	..	106.8
Slovakia	1.00	0.75	1.04	0.52	..	52.0
Hungary	1.00	1.23	1.23	0.98	..	98.0
Poland	1.41	1.41	1.30	1.27	..	90.0
Romania	4.90	3.92	2.41	2.47	2.39	49.0
Russia	1.90	1.18	1.25	1.32	1.45	76.3
Ukraine	1.40	1.71	1.96	1.85	2.06	147.1

Source: MONEE Database.
' Refers to 1989-91. ' Refers to 1989-92. .. Unavailable. Estimates based on UNICEF-Albania (1993).
* The low value of the IMR due to congenital malformations and perinatal problems in Albania, Bulgaria and Romania is caused by classification difficulties. Indeed, the IMR associated with ill-defined and all other causes in these countries is much higher than expected.

Quite surprisingly, the upward shift in the IMR in Russia and Ukraine and, to a lesser extent, Bulgaria can *also* be explained by a surge in deaths due to respiratory, digestive and

infectious diseases. This alarming trend-reversal points to critical levels of environmental deterioration and severely weakened maternal and child health care facilities. Even standard health programme delivery is being compromised. The acute shortage of vaccines, syringes and other basic health items that has affected Russia and Ukraine since 1992, together with the disturbing decline in immunization coverage, clearly indicates a dangerous erosion in basic health care infrastructure.

Mortality rates for children in the 1-4 age group do not generally show significant variation. Indeed, marked improvements have been recorded in several countries, with the exception of a modest increment in child deaths due to cancer in Ukraine and Russia. These increases, however, relate to a decidedly small absolute number of children. For instance, in Romania, the number of cancer deaths in this age group rose from 135 to 139.

The 5-15 age group also exhibits only negligible and generally favourable variations in death rates over time. Even when adverse changes are observed, these are extremely small and perhaps insignificant. In contrast, the situation for the 15-19 age group is somewhat less positive. Violent causes of death in this group account for over one-half of the overall mortality. A small but regrettably quite generalized increase in mortality due to accidents and suicide has been recorded for this age group (particularly boys) over the past four years. It is worth reiterating, however, that these variations concern only very small numbers of people and that it is still too early to draw conclusions regarding the development of a new social pathology.

A part of these unfavourable trends are due to budgetary restrictions which have led to an extreme shortage of financial and material resources. This has affected the functioning of both preventive health care services and hospitals and clinics. Recent labour force trends have exacerbated this situation. In almost all countries, there has been a drop in the number of parents taking leave from work to care for sick children. In Russia, for example, the situation has reached a critical stage. According to recent estimates, the number of cases of leave accounts for only one-half the number of the cases of disease among children and only a fraction of the number of the cases of chronic disease. As a result, even in the case of absolute need, many children are without the care of their parents. This often leads to more acute illness or to the development of chronic illness.

V. MIXED CHANGES IN THE NUTRITIONAL STATUS OF YOUNG CHILDREN AND ADOLESCENTS

Limited but broadly consistent evidence from Albania, Bulgaria, Romania, Russia, Slovakia, and other countries of the region supports the hypothesis that in parts of the region the physical development of children is being affected in different ways by the recent crisis.

The Prevalence of Low Birthweight

Over the 1989-94 period, LBW prevalence showed marked upswings in Bulgaria and Romania and more moderate, but still significant, ones in another five of the 14 countries on which information is compiled regularly (UNICEF forthcoming). In contrast, it stagnated at a fairly high level in Poland and fell slowly but steadily in Hungary until 1993 and, somewhat astonishingly, in Albania until 1991 (UNICEF 1994). While LBW prevalence remains within the "normal range" for this variable in about one-half of the countries covered by this paper, the relatively widespread increase is both surprising and alarming, particularly in view of the significant decline in births witnessed during the past few years.

Three factors likely underlie this increase in low birthweight and the consequent rise in the IMR. First, a greater incidence of low birthweight can be traced to the rise in the share of births to mothers below 20 years of age, that is, mothers who tend more to lack the physical and psychological maturity for childbirth. Furthermore, as evidenced by the much lower rate of primary school completion among these women, many lack the basic notions of care for small children.

Second, a greater incidence of low birthweight is also associated with stress, poor maternal nutrition, smoking and drinking, overexertion and a lack of rest during pregnancy. Lower incomes and growing insecurity have certainly aggravated these risk factors.

Third, at least in the case of Ukraine, prematurity (and congenital malformations) has escalated in areas affected by Chernobyl-induced radiation.

Given the extent of recent changes in food consumption, the hypothesis that an increase in LBW is due to the poorer nutritional status of pregnant mothers is by no means far-fetched. Food consumption patterns have changed in terms of both a diminution in the amount of food intake and, more alarmingly, a worsening in the quality of diets. There is certainly no reason to believe that the reduction in the intake of milk, fresh fruits, vegetables,

vegetable oils and good-quality meat over the past few years would have spared pregnant women in the rising number of poor families. Information on risk factors of a nonnutritional nature, such as alcohol consumption and the prevalence of smoking among pregnant women, is not readily available, but specific data on the nutritional status of pregnant women from a few countries suggest that calorie and, even especially, micronutrient deficiencies have contributed to the increase in LBW. A survey conducted in the winter of 1993 in Moscow and Ekaterinburg in order to assess the nutritional adequacy of pregnant women after three or four years of radical dietary change revealed that the mean daily intake of proteins and energy was broadly sufficient for normal fœtal growth, but that large deficiencies (about 60 percent of the US recommended daily allowance) were found for folic acid, iron, calcium, and vitamins B1, B2 and B6, that is, substances critical for proper fœtal development and the deficiency of which can lead to growth retardation, greater risks of anaemia, lower resistance to disease and negative pregnancy outcomes.

Among many population groups, including pregnant women, problems caused by stress, overexertion, health-threatening lifestyles and other behaviour-related factors were probably aggravated by the increase in labour supply and the growing tensions and insecurity induced by the transition. In addition, the erosion of maternal health services, including less extensive and rigorous pregnancy screening, that has been observed in some countries has certainly not helped in containing the deterioration in this indicator. LBW incidence broadly stagnated in those countries, such as Hungary and Poland, where the share of births to underage mothers remained stable, but increased in Bulgaria and Romania, where, in contrast, births to very young mothers reached disturbing proportions.

Changes in the Nutritional Status of Young Children

The first two rounds of the *Russian Longitudinal Monitoring Survey* (1993a, 1993b) found a small decline in wasting but a significant increase in stunting, particularly among children below 6 years of age (Mroz and Popkin 1994). A 1992 review of health and nutritional conditions shows, for instance, that 3 percent of the children in Moscow alone had low weight-for-height, but it did not reveal any significant variation from prior levels.

While not particularly severe, malnutrition in Albania is widespread. A one-year national survey of children up to 3 years of age that ended in March 1991 showed that one-fifth of the children in the Tirana district were malnourished. Of these, 4 percent were

moderately malnourished, and only 0.3 percent suffered from severe malnutrition. In poorer and less accessible parts of the country it is estimated that up to one-half of under-3-year-olds are malnourished. The staff of specialized hospitals which treat severely malnourished children have noted that fewer children from rural areas have been admitted in the last two or three years. However, there has been a significant increase in admittances among children from urban areas.

Negative trends in child nutrition were also identified by two limited surveys conducted by the Bulgarian Institute of Paediatrics in 1989-90 and in 1991. These surveys indicate that the incidence of hypotrophy among under-1-year-olds rose from less than 2 percent in 1989-90 to 17 percent in 1991. This was seen as the result of growing nutrition-related problems among breastfeeding mothers that had led to early and poor-quality bottlefeeding. Routine data on children at nutritional risk indicate that between 1991 and 1992 the proportion of children below 1 year of age and between 1 and 2 years of age suffering from hypotrophy rose further by about 10 and 100 percent, respectively.

The 1991 National Nutritional Survey of Romania covering children from 3 to 60 months noted that nutritional status was not alarming. However, the phenomenal jump in LBW prevalence in 1991-3 noted above may suggest that current nutritional problems among children in the 1-5 age group have risen substantially in parallel with the rise in poverty. Furthermore, the prevalence of stunting was found to be relatively elevated in terms of international standards.

In conclusion, while data availability does not favour a final assessment of current trends, the above review does not suggest that there has been any sharp increase in severe malnutrition and stunting among children. To be sure, widespread malnutrition and weight losses have not been reported in the region outside wartorn areas, despite large drops in agricultural output and a major food supply crisis. At the same time, the sudden impoverishment of large sections of the population has contributed directly and indirectly to a contraction in food demand and food intake. This in turn has meant that the nutritional problems traditionally observed among infants, children and adolescents in Eastern Europe have gradually become more acute.

VI. THE WIDESPREAD DECLINE IN SCHOOL ENROLMENTS

In many areas of the region, the education of children suffered between 1989 and 1993. *Crèche enrolment rates* dropped, despite shrinking child cohorts in all countries. Romania, where the fall in fertility has been very large, was the only exception to this trend (UNICEF 1994). *Parental leave* provisions were not able to compensate for this drop, as the leave coverage rate also declined (with the notable exception of Hungary). One of the most pronounced, generalized and consistent changes observed in the post-reform years has been the slump in the proportion of children attending kindergarten, with the single exception of Hungary (Table 13).

The decline in enrolment is certainly cause for acute concern, particularly when children in the 5-6 age group are affected. This may cause considerable damage to child socialization, peer interaction and preparation for school, all areas in which "family substitutes" can be only of limited relevance, particularly in the growing number of one-child families and problematic families. Confronted with a mounting financial crisis, local authorities have introduced or raised fees for tuition, school meals, uniforms, heating and bus services (Table 13). However, the liberalization of prices for food, fuel and other items has meant that the fees introduced now represent a substantial proportion of the average wage and thus put kindergartens out of reach of many parents.

The gravity of the current crisis is also underscored by the decline in both primary and secondary enrolment rates observed in Bulgaria, Poland and Romania (out of the six countries for which complete information is available). The fall in secondary enrolment rates between 1989 and 1992 was more pronounced, reaching 20 percentage points in Romania, 7 in Bulgaria and 5 in Russia. Even where secondary enrolment rates have not drifted downward, budgetary restrictions and the significant size of the adolescent cohorts in the relevant age bracket have resulted in fewer facilities, lower subsidies, higher fees for nonbasic activities (books, meals and teaching materials) and a likely deterioration in the quality of education. Declines in the number of student stipends granted and in the number of places available in student hostels, as well as the rising costs of meals in school canteens, are typical examples of changes jeopardizing the educational prospects of many students, particularly those living far from school.

Table 13: KINDERGARTEN ENROLMENT RATES AND FEES[a]
(In Percentages, 1989-94)

		1989	1990	1991	1992	1993	1994
Czech Republic	enrolment rate[c]	99.0	90.0	82.8	86.0	88.3	--
	per-household fee	--[d]	--[d]	--[d]	--[d]	--[d]	--
Slovakia	enrolment rate	91.5	83.7	75.7	78.1	78.0	74.9
	per-household fee	--[d]	--[d]	--[d]	--[d]	--[d]	--[d]
Hungary	enrolment rate	85.7	84.9	85.9	86.5	86.6	86.1
	per-household fee	--[e]	--[e]	--[e]	--[e]	--[e]	--[e]
Poland	enrolment rate	48.7	47.1	43.9	42.6	42.7	44.3
	per-household fee	25.0	30.9	36.7	20.1	18.6	--
Bulgaria	enrolment rate	72.8	67.0	56.1	65.3	62.6	64.6
	per-household fee	13.0[b]	10.0	9.0	7.0	15.0	9.0[b]
Romania	enrolment rate	82.9	70.5	68.7	68.1	57.8	55.2
	per-household fee[f]	10.0	21.4	14.5	10.6	--	--
Russia	enrolment rate	69.3	66.4	63.9	56.8	57.4	55.5[i]
	per-household fee	3.0	2.8	1.4	--[g]	--	--
Ukraine	enrolment rate	85.6[h]	57.0	55.0	51.0	47.0	--
	per-household fee	6.0	6.0	6.0	6.0	--	--
Armenia	enrolment rate	61.2	62.9	51.4	54.0	46.0	--
	per-household fee	--	--	--	--	--	--
Azerbaijan	enrolment rate	66.0	68.0	68.0	71.0	74.0	--
	per-household fee	--	--	--	--	--	--
Moldova	enrolment rate	72.0	70.0	68.3	58.4	57.0	--
	per-household fee	--	--	--	--	--	--
Georgia	enrolment rate	39.6	3[illegible]9	40.2	36.4	27.7	23.3
	per-household fee	--	--	--	--	--	--

Sources: UNICEF (1993), MONEE Database.
[a] The fees are estimated; they are reckoned as a percentage of the average wage. [b] Fees also depend on family income. [c] Among 5-year-olds. [d] Parents pay for meals only. [e] Parents pay for meals in public units; they may pay extra fees in other units. [f] The share of costs borne by users was 69 percent in 1989, 82 percent in 1990, 59 percent in 1991 and 51 percent in 1992. [g] According to regulations introduced in April 1992, the share of costs borne by users could not exceed 20 percent, or 10 percent in the case of parents with three or more children. [h] Total enrolment as a percentage of all 3-to-5-year-olds. The share of 6-year-olds in kindergartens or primary schools was 55.1 percent in 1990, 50.2 percent in 1991 and 46.3 percent in 1992. [i] Estimated.

VII. DEMOGRAPHIC CHANGES AND CHILD WELFARE

Conceivably, the most dramatic indication of the impact of the current crisis is provided by the radical changes affecting family formation, reproductive behaviour and "paternal mortality" (Cornia and Paniccià forthcoming). These changes have negative implications for child welfare.

While the crude marriage rate had diminished slowly prior to the transition, between 1989 and 1994 it fell much more quickly than expected on the basis of past trends (Table 14). The data point not so much to a postponement of marriage, but to an absolute contraction in the frequency of marriage among all age groups due to rising unemployment, the skyrocketing costs for securing a place to live and overall uncertainty about the future. Significantly, in almost one-half of these countries the crude marriage rate rose during the first reform year, suggesting an "initial euphoria effect" reflecting overall positive expectations about the future.

Table 14: PERCENTAGE CHANGES IN AGE-SPECIFIC MARRIAGE RATES (1989-93)

	15-19	20-4	25-9	30-4	35-9	40-9	CMR[a]
Estonia	-45.7[b]	-47.3[b]	-39.0	-29.4	-26.8	-13.1	-39.6
Hungary	-34.7[b]	-27.7	-17.3	-21.5	-30.4	-30.6	-18.0
Lithuania	2.0	-32.0	-32.8	-36.5	-39.5[b]	-37.2	-32.3
Poland	-34.6	-20.6	11.8	-11.5	-4.0	--	-19.8
Romania	35.0	-7.1	-3.3	-14.7	-16.0	-56.4[b]	-7.8
Russia	0.2	-18.2	-19.4	-22.4	-27.0[b]	-25.0	-20.4

Source: Calculations of the author based on the MONEE Database.
[a] Crude marriage rate. [b] 1990-3.

The 1989-94 period also witnessed drops in crude birth rates similar to those for crude marriage rates and much larger than those projected on the basis of pretransition trends. The fall in crude birth rates was accompanied by an increase in the percentage of first births in the total that was generally more pronounced in the countries experiencing the largest declines in birth rates. Throughout the region, the slowest decline in crude birth rates was observed among teenagers (UNICEF 1994). In Bulgaria and Lithuania, fertility among the 15-

17 (or 15-19) age group actually increased, underlining the fact that the traditional family problems of Eastern Europe may have worsened during the transition (Table 15).

Table 15: PERCENTAGE CHANGES IN AGE-SPECIFIC BIRTH RATES (1989-93/4)

	15-19	20-4	25-9	30-4	35-9	40-9	CBR[a]
Czech Republic[b]	-0.5	-10.9	-8.8	-4.1	-8.0	12.5	-4.9
Estonia	-10.6	-35.1	-35.6	-43.6	-42.5	-43.1	-35.4
Hungary[c]	-14.0	-16.3	-2.7	-2.5	-1.9	10.0	-5.8
Lithuania[c]	1.0	-20.5	-18.9	-23.2	-13.0	-16.7	-17.8
Poland	-12.6	-17.9	-8.7	-3.7	0.4	-4.8	-13.4
Romania	-21.8	-26.3	-37.2	-51.9	-57.0	-55.0	-31.3
Russia	-8.8	-26.6	-37.0	-45.8	-48.2	-48.0	-35.6

Source: Calculations of the author based on the MONEE Database.
[a] Crude birth rate. [b] 1989-92. [c] 1990-3.

The relative (or absolute) increase in births to young mothers was accompanied by a sharp acceleration in the share of out-of-wedlock births (often to the same underage mothers) in the total. While this index was already slowly moving upward in the 1980s, it has shown a clear acceleration during the last four years (Table 16). As in the case of births to underage mothers, this trend is not promising, as the children in monoparental families face much higher relative risks of poverty, mortality, school dropout and difficult socialization.

Lower nuptiality and the higher out-migration of young males (and to a lesser extent females), as well as greater paternal mortality (see later), contributed to the drop in birth rates. However, the main factor was a sharp dip in marital fertility among all age groups. In Russia, Lithuania and Romania, while the natality decline involved all age groups, it appears to have been as pronounced among the women in the 30-49 age groups (for whom a "fertility catchup" is impossible) as it was among younger women, if not even more pronounced. In these countries the drop in fertility appears, therefore, to be more permanent.

It has been suggested that these changes in reproductive behaviour only reflect a "natural catching up" with the values and behaviours of Western women who attach greater importance to work and career, greater individualism and later pregnancy (Avraamova 1994),

Table 16: THE PERCENTAGE OF BIRTHS TO UNMARRIED MOTHERS AMONG ALL BIRTHS (1980-94)

	1980	1985	1989	1990	1991	1992	1993	1994
Czech Republic	5.7	7.0	7.7	8.2	9.8	10.6	--	--
Hungary	7.1	9.2	12.4	13.2	14.1	15.6	17.4	19.3
Poland	4.7	5.0	5.8	6.2	6.6	7.2	8.2	9.0
Slovenia	13.1	19.1	23.3	24.5	26.5	27.7	28.0	--
Bulgaria	10.9	11.7	11.4	12.4	15.5	18.5	22.1	24.5
Romania	2.8	3.7	4.3	4.0	4.2	--	--	--
Estonia	18.3	20.7	25.3	27.1	31.2	34.0	38.3	41.0
Latvia	12.5	14.4	15.9	16.9	18.4	19.6	23.0	26.4
Lithuania	6.3	6.5	6.7	7.0	7.0	7.9	9.0	10.8
Belarus	6.4	7.1	7.9	8.5	9.4	9.8	10.9	12.1
Moldova	7.4	8.8	10.4	11.0	11.8	11.6	11.2	12.3
Russia	10.8	12.0	13.5	14.6	16.0	17.2	18.2	19.0
Ukraine	8.8	8.3	10.8	11.2	11.9	12.1	13.0	12.8
Armenia	4.3	6.5	7.9	9.3	10.9	12.3	14.0	--
Azerbaijan	3.0	2.6	2.5	2.6	3.7	4.4	5.0	--
Georgia	4.7	10.5	17.7	18.2	18.7	21.8	--	--

Source: MONEE Database.

and that no specific policy support would be required in this regard. The data in Table 14 and the results of a limited number of surveys, however, show the opposite. In a 1992 survey in Russia, for instance, three-fourths of the women interviewed cited insufficient income as a major barrier to having another child, while over one-half said inadequate housing was the main cause. Only 1 percent cited interference with their educational or career aspirations as the main motivation. In addition, respectively, one-fourth and one-half of the women said they might have another child if they received a child allowance or if housing conditions were improved, thus clearly pointing the way ahead to those policymakers interested in stopping the resent demographic downfall.

Finally, with the exception of the Czech Republic and Slovakia, the transition has been accompanied by a dramatic increase in the death rates among the male population of 30-49 years of age. These large rises in paternal mortality and the widening of the life expectancy differential between the sexes are cause for serious concern not only because they bear witness to a large and unexpected increase in the number of premature and preventible

deaths, but also because they have further exacerbated the imbalance in the gender ratio and in the dependency ratio, raised the number of incomplete families, increased widowhood and caused considerable economic losses.

These drastic "demographic adjustments" carry some clear and generally adverse short- and medium-term implications for the welfare of children, as well as for long-term trends in Eastern European demography and economic health. Among these implications are the following.

- **Fewer children per family and more one-child families**. The contraction in fertility has resulted in an increase in the number of childless and one-child families. In view of the generalized decline in the coverage of preschool education, a growing proportion of children, particularly the children of younger couples, risk, ceteris paribus, a "peer socialization gap". From this perspective, the policy of granting childcare leaves appears to be of dubious impact and may need to be reconsidered.
- **More children in "at risk" families**. The increase in the proportion of births to underage mothers—whether married or not—has raised the share of children at risk of abandonment, institutionalization, poverty and psychological maladjustment. Indeed, greater absolute or relative fertility among teenagers is the harbinger of considerable problems for both the child and the young, often single, mother, who is generally neither sufficiently economically independent, nor psychologically mature, to raise a child. Often unwanted, the child runs a far greater risk of abandonment, institutionalization, poverty and psychological maladaptation than does the children of older parents in more stable households.
- **More monoparental families**. The increase in the share of births to unmarried mothers, as well as the escalation in paternal mortality, is pushing up the number of children living with only one parent. In Russia and Ukraine (but not in the rest of the region), this trend has been further compounded by the increase in the divorce rate among families with children. These trends have raised the number of children who are at greater risk of poverty, institutionalization, disrupted educational achievement and difficult emotional development.
- **Undesirable long-term effects**. Even leaving aside more questionable economic issues, the demographic changes discussed above carry some clear and generally adverse medium-term implications for the welfare of children and other vulnerable groups. The impact of these changes is all the more disturbing in view of the fact that, prior to the transition, all countries of the region, except Albania, were characterized by a "weak demography", that is,

by slow or negative population growth, low to medium levels of fertility and an ageing population.

The most evident and obvious of these adverse effects concerns the "natural decline" in population size that has been observed in one-half of the countries of the region. In Russia, the natural decline is so pronounced that, without a radical and unlikely turnaround, the population in the year 2000 will be six to seven million less than that in 1991, the last year in which a natural increase was recorded. An absolute decline in population, particularly if it is driven by a contraction in births, will lead to a rapidly ageing population and to deteriorations in the dependency ratio. As is evident in many Western countries and already in some Eastern European countries, this can result in a shift in public resources away from children toward the elderly, who hold a more direct sway over the political process. In addition, there is evidence that the decline in the number of births has generally come about through an increase in the number of abortions that not only increases the health risks for mothers, but also has long-term detrimental effects on fertility.

Finally, the shift in the gender ratio among the cohorts of reproductive age caused by higher paternal mortality and migration will make the formation of new families more difficult, even if the direct negative effects of economic insecurity on the propensity to marry are excluded. In turn, these factors can cause a considerable weakening of the fertility potential of a country in the short term, while the subsequent drop in birth rates will have the same effect in the long term.

VIII. THE EROSION OF THE SOCIAL FABRIC LEADS TO AN INCREASINGLY DIFFICULT SOCIALIZATION AND GROWING CRIME RATES AMONG YOUTH

The transition to the market economy has also entailed a considerable erosion of social cohesion and administrative and political institutions that will have large, if not fully understood, implications for society as a whole and for children in particular.

The rising problems faced by institutions entrusted with the socialization of children, adolescents and young adults (that is, the family, school, work and youth associations) and the weakening of administrative and police controls that has accompanied the transition to the market economy have brought about a pernicious institutional and cultural vacuum. The

CHILD PROTECTION IN CENTRAL AND EASTERN EUROPE

Prior to 1989, the underlying state ideology and breakdown of traditional kinship and community support systems in Central and Eastern Europe contributed to the adoption of a "medical model" of institutional care as the dominant policy response to children whose parents could or would not protect them. In the former Czechoslovakia, Poland and Hungary, a reform movement headed by paediatricians and child psychologists successfully lobbied during the 1960s for the creation of a modern system of substitutional family care to replace the former system of day nurseries and residential care for children (see Dunovsky 1990). These reformers were successful, to a limited degree, in putting forth values which differed from official ideology.

While the reform movement was successful in instituting a foster care system and improved adoption procedures, institutionalization continued to prevail as the dominant model of protective care. As a result, many children were removed from their families and, while entrusted to state care, were subjected to treatment which inhibited their normal growth and development.

Two opposing trends have developed since 1989. First, in most countries, the rate of institutionalization has decreased, if only slowly. This has followed the growing momentum of the reform movement as ideological control has loosened. Most countries in the region have initiated new child protection legislation which could, indeed, substantially improve the situation of many children with only modest budgetary outlays. One of the factors prompting reforms in some countries, such as Romania, Russia and Albania, has been the sudden surge in international adoption, which in many instances has degenerated rapidly into wholesale trafficking in children. Another catalyst has been the worldwide coverage of the sub-human conditions in which many institutionalized children were living in some countries. Besides prompting a huge demand for adoptees, the publicity brought an outpouring of support from many Western countries in the form of material aid and assistance in revamping child protection systems. However, budget constraints, lack of trained, qualified staff and institutional inertia have impeded the implementation of many of the reforms and a more rapid solution of the problem.

In Poland, for example, although legislation supports family-based alternatives over institutionalization, the number of small children and infants brought to institutions by their biological mothers or fathers has been increasing since 1989. Lack of an effective, well-organized social service system to identify and assist families in trouble before they reach the breaking point and inadequate funding of foster families are largely to blame. Child welfare services, for example, as in most countries in the region, are scattered under the ministries of health, justice, social welfare and education, as well as various Church organizations. Cooperation among the various institutions is inadequate, and as a result there is no homogeneous system to respond to the urgent need of families for help (*Compendium of Data on Child Welfare in Eastern and Central Europe: A Compilation of Presentations Made during the Seminar*, Regional Seminar for East and Central Europe). Foster families are offered only a fraction of the costs of maintaining a child, and, with inflation, the real value of these benefits has declined rapidly over time, making it financially impossible for parents to consider taking on an additional child.

problems mushrooming in the school system (overcrowding, loss of relevance and greater private costs) and the subsequent decline in enrolment rates and rise in dropout rates have certainly contributed to the fact that an increasing number of adolescents, particularly those in urban areas, is being pushed onto the streets. Even for those youth able to complete their professional training, the difficulties faced in finding their way into a protected work environment have mounted. In addition, many of the institutions established to provide recreational and cultural activities have closed or have cut their services severely. Public libraries and subsidized art centres have closed; the "pioneers" have been disbanded or have lost government support, and summer camp attendance has declined considerably.

The number of reported crimes motivated by financial gain has risen sharply and steadily in all countries of the region. One of the most alarming features of the recent crime wave is the growing share of young offenders in the total. In Slovakia, for instance, the proportion of crimes committed by youngsters rose from 14 percent in 1989 to 28 percent in the first half of 1993. In Hungary, the share of indictable young offenders (including young adults) rose from an already high 37.7 percent in 1989 to an even higher 41.7 percent in 1992. Similar trends have been observed in Romania, Russia and other countries of the region.

IX. MAIN UNDERLYING CAUSES

Many years will pass before the transition achieves—even partially—its initial objectives. It is therefore not yet possible to draw final conclusions about the broad factors behind the important difficulties encountered so far on the road to the market economy. For the moment, however, it is possible to sketch out a few tentative views on the relative importance of the causes responsible for the widening gap between the excessively optimistic expectations of the early days and the harsh reality of the last five years. By and large, five main factors explain the significant and unexpected deterioration in child and human welfare documented in the previous pages.

1. **Inherited problems**. Some of the present difficulties have clearly resulted from poor conditions, policies and behaviours during the socialist era. While the immediate cause of the decline in economic indicators and welfare conditions is linked to current changes, the deterioration would not have been so drastic had the initial conditions not been so

unfavourable. For instance, part of the decline in consumption and part of the increase in poverty are due to the suppression of inflation and the artificial job creation imposed in earlier years. Similarly, part of the rise in mortality registered over the 1989-93 period derives from the poor lifestyles and nutritional habits and the severe contamination of the environment of the pre-reform years.

2. **Exogenous problems**. Factors outside the control of the individual Eastern European governments certainly explain an important share of the economic disaster of recent years. In particular, the dissolution of the socialist trading system (CMEA) and the sudden move to international market prices for oil and raw materials produced enormous terms-of-trade shocks in most countries, but especially in highly import-dependent countries such as Bulgaria and Ukraine and the Baltic and the Caucasus countries. In addition, protectionism and slow growth in Western Europe have made the reorientation of Eastern European exports a particularly difficult task. Finally, political and ethnic conflicts are beleaguering several parts of the region (such as the Caucasus) and have even spilled over into some countries bordering on the war zones (such as Hungary and Russia), leading to economic disruptions and considerable financial and human costs.

3. **Inadequate international financial support**. Though frequently announced in the media, Western financial support for the transition process has generally been inadequate. Only the Czech Republic and Poland have received adequate debt relief, new loans and direct foreign investment. In other countries, including Russia and Ukraine, the flow of financial resources (including those of international financial institutions) has been modest and has been clothed in considerable conditionality. Traditional and narrow—though easily understandable—microeconomic considerations have prevailed over a broader view taking into account the long-term development of the region and the potentially large political costs which could be borne by all of Europe in the case of the definitive failure of the reform process in the region.

4. **Policy design problems**. Contrary to the image suggested by the metaphor of "shock therapy" (a short and sharp shock leading to a rapid, if painful, solution of the problem), drastic and simultaneous price and trade liberalization, devaluation and privatization do not and cannot generate a quick fix. This approach has been shown to be ineffective in practice, to overlook the necessarily slow evolution of economic institutions, property rights and individual behaviours and to cause credibility problems and risks aggravating the severe economic and social problems inherited from the past. It also ignores the lessons of the

reform process in the Latin American countries and in China (where a diametrically opposed "road to the market" has produced more than satisfactory results in terms of poverty alleviation and economic growth). As noted in the above analysis, the largest yearly increases in poverty rates have indeed taken place concurrently with the large and unexpected "price overshooting" caused by shock therapy. At the opposite end of the spectrum, failure to maintain a modicum of macroeconomic balance and to introduce, albeit at a human pace, much-needed structural reforms must also be counted among the policy design problems responsible for the significant social costs observed. While lax monetary and fiscal policies and the postponement of needed structural reforms may keep surging unemployment at bay for a while, this approach offers no solace for the problem of structural change and inflicts huge welfare costs on a large segment of the population through crippling hyperinflation.

5. **The institutional and administrative vacuum and the collapse of the state**. The dismantling of the institutions and social norms of the socialist regimes has not been accompanied by an equally rapid and extensive development of adequate substitutes, thus causing social costs beyond those due to economic factors. Old cultural, sport and leisure associations for youth have been weakened or suppressed, though only a few community-based, religious or market substitutes have replaced them. On an administrative level, restrictions on the freedom of movement and the sale of alcohol have rightly been lifted, but no parallel effort has been made to address the aggravation in the problems of vagrancy, alcoholism and crime ensuing from such measures. Health inspections have been relaxed, thus leading to more frequent cases of food poisoning; traffic and labour safety norms are more frequently violated, resulting in considerable additional deaths; health prophylaxis is no longer enforced systematically, and so on.

V. CONCLUSIONS

Though unavoidable, desirable and indispensable, the economic and social reforms introduced since 1989 are facing severe problems of implementation and involve economic, social and political costs far greater than anticipated. While children have been partially spared by the mortality crisis now affecting the region, their welfare has been severely affected in many areas over both the short and the long term. Whatever the causes of the current problems, the neglect of the social costs of the transition is hardly justifiable and

politically naive. These costs are not only the source of unnecessary suffering and the waste of human life, but can also be the source of considerable political instability and social conflict which could derail the entire transition process in the region. Indeed, the whole transition could come to a halt as mortality rates rise, health services worsen and consensus-building skills are learned.

If even more devastating developments are to be avoided, the present crisis needs to be addressed with greater urgency, more national and international resources and more vigorous resolve than has been the case to date. Without an adequate response, more than the political stability of any single government stands to be lost. Faced with increasingly severe hardship, many may question the viability of reforms—or even the viability of democracy itself—in creating the firm foundation for a new order. Unless more successful economic and social policies are introduced and more favourable external conditions are created and unless these policies generate perceptible improvements over the short term, this danger may become a harsh reality.

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